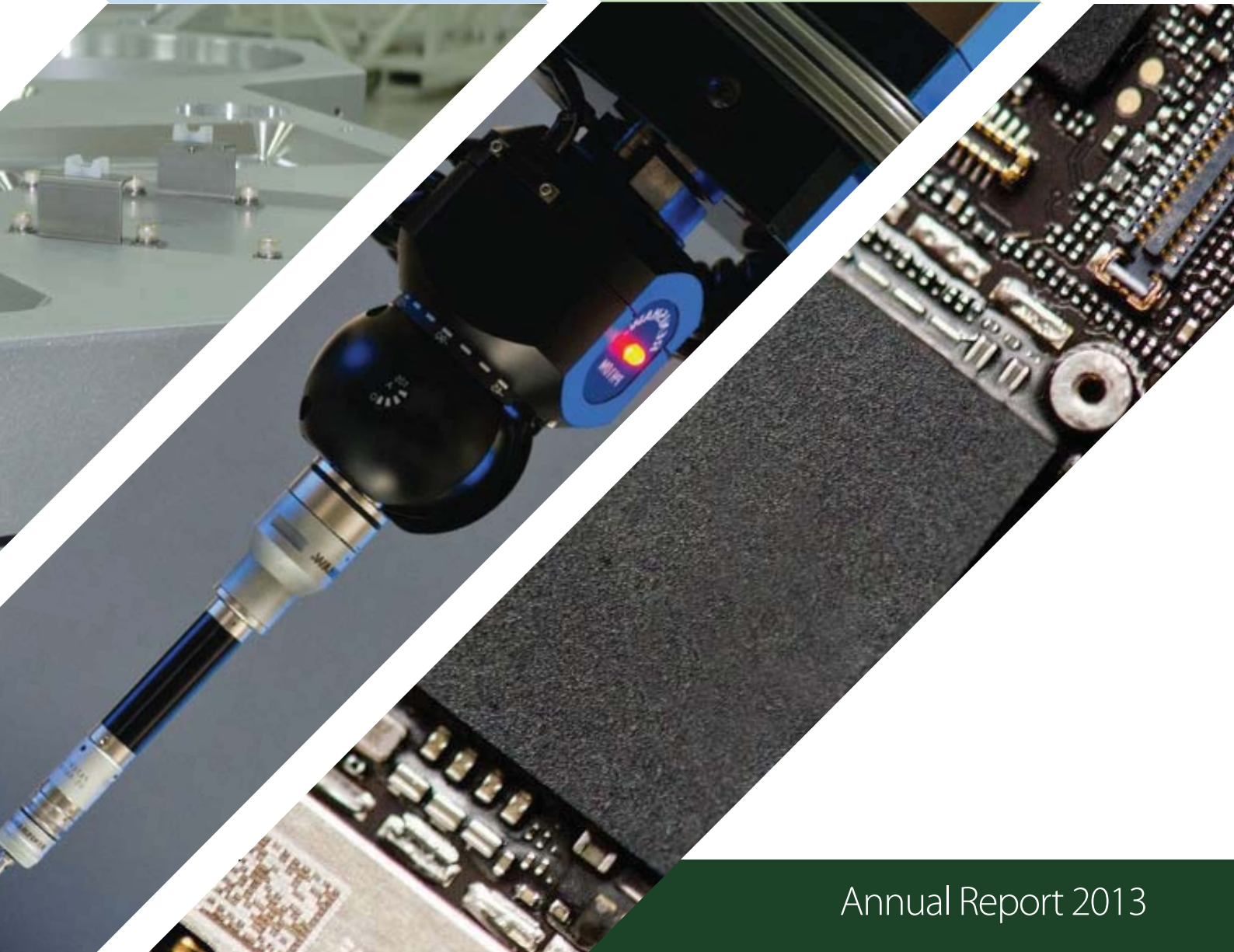




UMS GROUP

UMS Holdings Limited

Pursue  
Excellence



## Our Vision

is to be a strategic global partner for successful global companies, providing a full range of integrated manufacturing services.

## Our Mission

is to deliver the best in-class manufacturing solutions to step up our customers' manufacturing processes to produce quality products.



## Contents

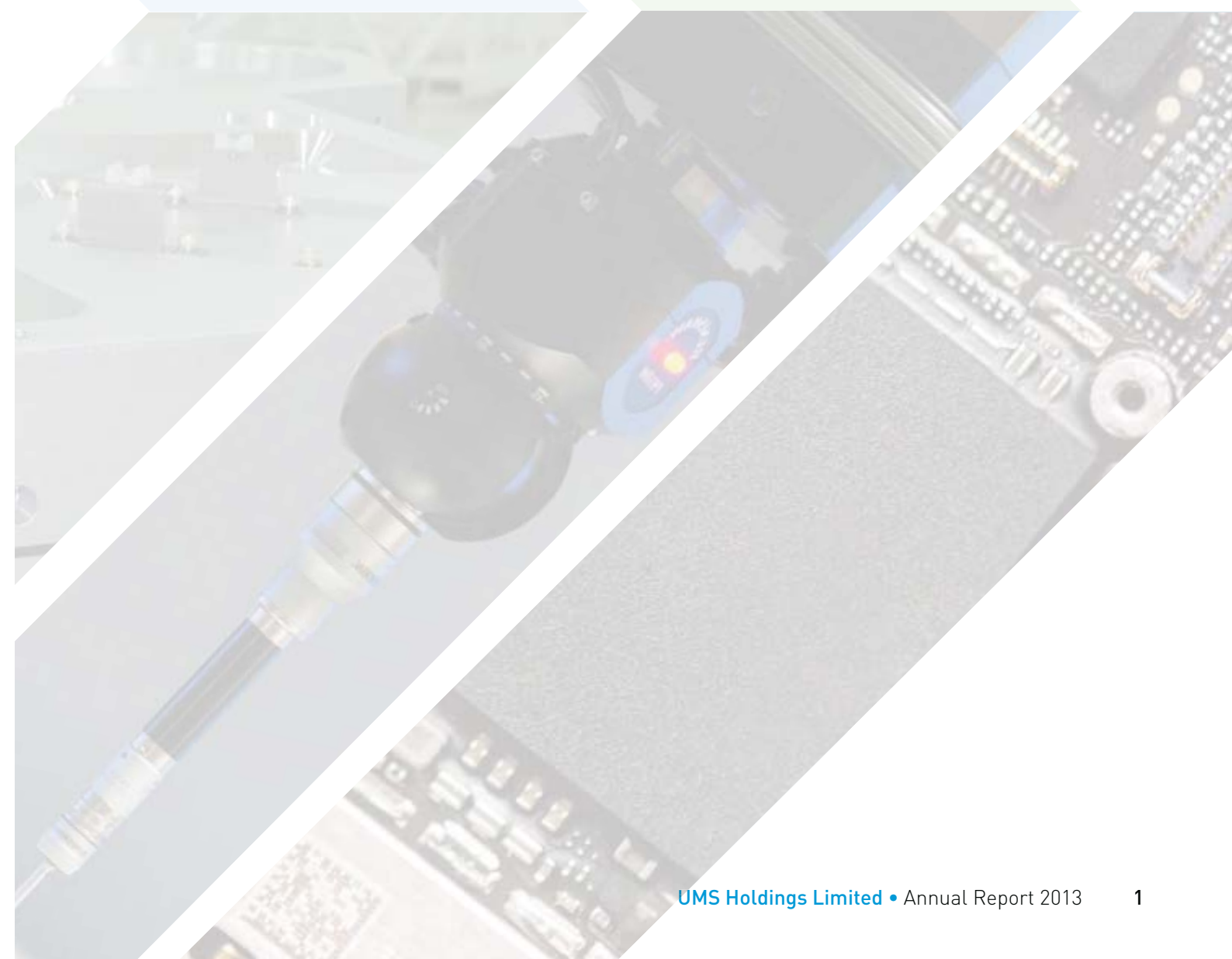
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# Corporate Profile

Incorporated in Singapore on January 17, 2001, UMS Holdings Limited is a one-stop strategic integration partner providing equipment manufacturing and engineering services to Original Equipment Manufacturers of semiconductors and related products.

The products we offer include modular and integration system for original semiconductor equipment manufacturing.

Headquartered in Singapore, the Group has production facilities in Singapore, Malaysia as well as California and Texas, USA.





# Chairman and CEO Statement



**2013 had been a remarkable year for UMS Holdings Limited (“UMS” or the “Group”) as the Group achieved record earnings of S\$28.9 million, representing a 70% surge from that of 2012. This stellar performance could not have been achieved without the sacrifices and dedication from our management and employees.**

## Dear Shareholders,

2013 had been a remarkable year for UMS Holdings Limited (“UMS” or the “Group”) as the Group achieved record earnings of S\$28.9 million, representing a 70% surge from that of 2012. This stellar performance could not have been achieved without the sacrifices and dedication from our management and employees. They have been instrumental to the Group’s competitiveness, enabling us to continuously deliver quality products and services to our major global customers in the semiconductor equipment industry. This is also the reason why we are able to maintain our reputation as a trusted, stable and sustainable partner for our customers throughout the years.

In line with the exceptional results, the Board of Directors (the “Directors”) is pleased to recommend and propose a final dividend of TWO (2) Singapore cents and a special dividend of One and Half (1.5) Singapore cents. Subject to the approval of the shareholders, this will bring the total dividends declared and proposed for FY2013 to Six and Half (6.5) Singapore cents.

## Financial and Business Review

The year started off steadily with signs of recovery as many foundries resumed their capital expenditure spending, which were previously delayed in the second half of the previous year (“2H2012”). Revenue for the 6 months ended 30 June 2013 (“1H2013”) stood at S\$60.7 million, an increase of 36% compared to 2H2012.

However, for the 3 months ended 30 September 2013 (“3Q2013”), the recovery came to a temporary halt as the semiconductor industry experienced a “breather” period after two consecutive quarters of strong demand driven by the foundries’ investment programs.

Although stronger customers demand was experienced in the fourth quarter of 2013, it could not compensate for the slower preceding quarter and resulted in a relatively flat sequential performance of S\$59.8 million in the second half of 2013.

# Chairman and CEO Statement

**They have been instrumental to the Group's competitiveness, enabling us to continuously deliver quality products and services to our major global customers in the semiconductor equipment industry. This is also the reason why we are able to maintain our reputation as a trusted, stable and sustainable partner for our customers throughout the years.**



**Luong Andy**  
Chief Executive Officer

On a year on year basis, the outstanding financial success for the full year ending 31 December 2013 ("FY2013") was all the more remarkable as it was achieved during a year when the global semiconductor equipment industry experienced a decline. According to the global semiconductor association, SEMI, it estimated on 3 December 2013 that the new equipment market in the semiconductor industry will contract 13% for the whole year of 2013. In contrast, UMS registered a modest 6% growth in its revenue from S\$113.2 million a year ago ("FY2012") to S\$120.5 million in FY2013, signifying the strength and good acceptance of the products that we manufacture.

Most importantly, our net profit after tax growth outpaced revenue growth to hit an all-time high of S\$28.9 million in FY2013. This was mainly a result of better product mix and margins improvement resulting from our cost saving initiatives, which were performed over the years. Expenses continued to reduce as more assets were fully depreciated although the Group's relocation exercise from Singapore to Penang has yet to be fully completed. We are enjoying lower operating costs as the new location offers relatively lower

labour and energy costs. As a result of the above, our net profit margin expanded to 24% in FY2013 compared to 15% in FY2012.

## **Strong Cash Generation Continues**

Since 2008, UMS has been able to generate good cash flow. Similarly, the Group generated positive operating cash flow of S\$27.8 million and free cash flow of S\$25.8 million in FY2013 compared to S\$31.1 million and S\$29.3 million respectively in FY2012.

With this excellent track record of healthy cash flow, the Board was able to adopt a quarterly dividend policy in FY2012 with the intention to give regular returns to shareholders as well as to enhance a greater accountability to shareholders.

This proposed final dividend of TWO (2) Singapore cents and a special dividend of One and Half (1.5) Singapore cents, if approved by shareholders, will be the 17th consecutive quarterly dividend since 2009, reinforcing the strength of our business model.

# Chairman and CEO Statement

## Outlook and Strategies

We are positive on the outlook for FY2014. As mentioned above, the global semiconductor equipment industry resumed their growth and foundries had also picked up pace on their capital expenditure programs in the fourth quarter of FY2013. This had resulted in stronger orders and increased activities for the Group over the same period and this is likely to continue for the first half of FY2014.

Echoing similar sentiments, SEMI Year-end Forecast predicts that the semiconductor equipment sales to grow by 23%. 2015 sales are also expected to continue to grow. Barring any unforeseen circumstances, we believe the Group will remain profitable in FY2014.

In terms of strategies, the Group will continue to focus on further reducing our cost and improving operating efficiencies. Our relocation to Penang to enjoy lower operating cost as well as to alleviate labour shortage in Singapore will continue. Additionally, we are always open to any merger and acquisition opportunities that can boost the Group's capabilities, profitability as well as market exposure.

### **Soh Gim Teik**

Chairman  
UMS Holdings Limited

## Words of Appreciation

On behalf of our fellow directors, we would like to take this opportunity to thank our business partners, associates and other stakeholders who have contributed to the success of the Group in FY2013.

We would like to extend our warmest welcome to our newest member of the Board, Mr Chay Yiowmin, who will also be heading the Remuneration and Audit Committee.

We would also like to especially thank Mr. Neo Ban Chuan who will be stepping down after the forthcoming Annual General Meeting for his support and contribution to the Group over the years.

To our valued shareholders, we would like to convey our sincere appreciation for your continued support and we look forward to scaling greater heights in the years ahead.

Lastly, we would like to express our heartfelt gratitude to all of our staff and management for their hard work and dedication to the Group.

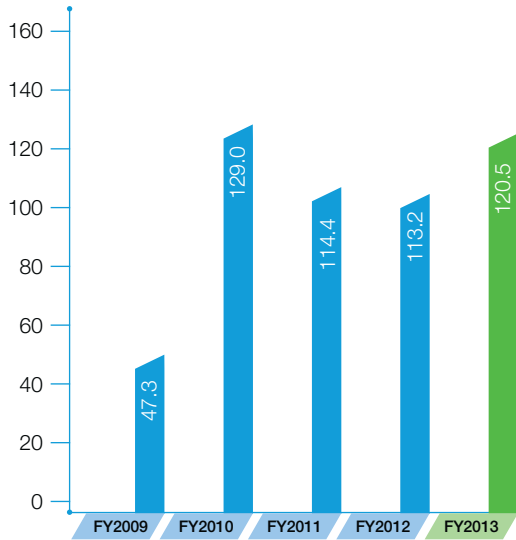
### **Luong Andy**

Chief Executive Officer  
UMS Holdings Limited

# Financial Highlights

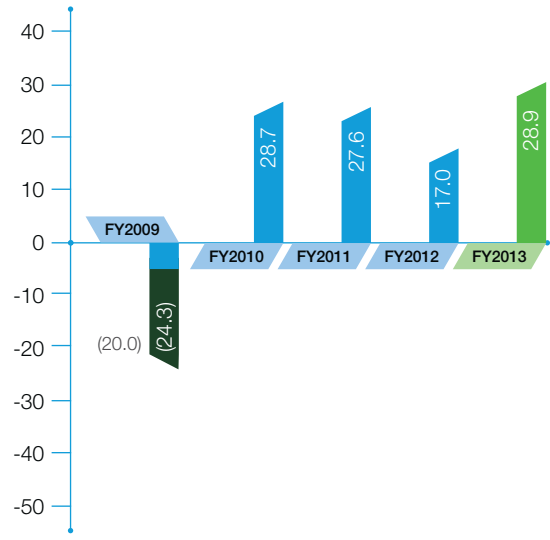
## Revenue

S\$ Million



## Net Profit

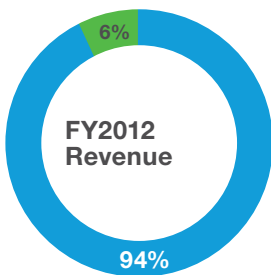
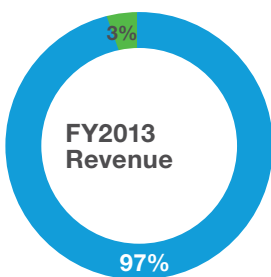
S\$ Million



included Goodwill written off (2009: S\$20,000,000)

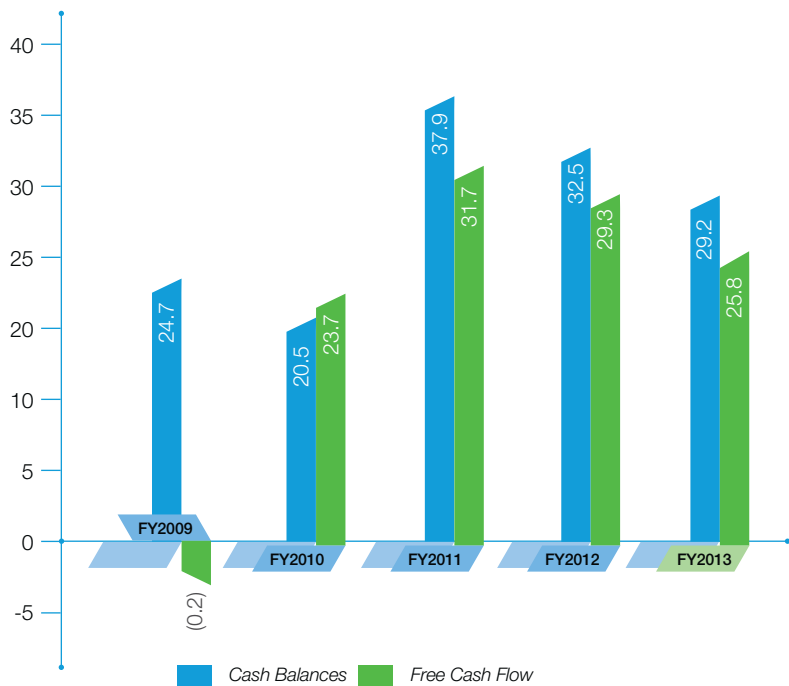
## Segmental Contribution

■ CEM ■ Semicon



## Cash Balances & Free Cash Flow

S\$ Million



# Operations Review



## Operation Review

Three years into UMS' strategic entry of the semiconductor system integration business, the Group achieved a record year in terms of profitability. The Group's Semiconductor ("Semicon") segment continued to be its main revenue contributor; contributing 97% of its FY2013 revenue. This further epitomize the Group's entrenched relationship with its major customer as well as the success of its business model.

In FY2013, UMS began the new financial year promisingly as it recovered from the previous year's environment of lower demand for semiconductor equipment, which was due to weak global economy. Throughout 1H2013, there were signs of many global foundries in the semiconductor industry resuming their capital expenditure spending.

However, following two consecutive quarters of strong demand driven by the foundries' investment programs in 1H2013, the semiconductor industry took a "breather" and UMS experienced a slower third quarter. Since then, the Group had experienced stronger orders and increased

activities in the last quarter of FY2013 and it is expected to continue for the first half of FY2014.

## Improved Margins

Notably, UMS' achievement of record profitability in FY2013 was a result of improved and sustainable levels of healthy profit margins. For the same year under review, the Group registered a healthy gross material margin of 54%, while its net profit margin stood at 24%.

The Group's relentless efforts over the years to pursue an integrated manufacturing platform for its major customers had enabled itself to achieve relatively higher margins. This is because almost 100% of UMS' products and components, including secondary finishing as well as welding can be performed in-house, allowing the Group to retain most of the operating margins.

Additionally, cost saving initiatives that were performed over the years, reduced depreciation expenses and lower operating costs from its relocation of its Singapore manufacturing facility





to Penang have also contributed to the Group's increase in profitability.

## Improved Cost Efficiencies

The Group has started to enjoy the benefits of lower cost structure from its manufacturing relocation program to Penang. This is despite the fact that the relocation has yet to be completed during FY2013. In addition to lower labour and energy costs, the shift to Penang will also allow the Group to improve its labour shortage situation. Moreover, this will help to mitigate the short term fluctuations and cyclical nature of semiconductor industry which would improve UMS' competitiveness in the industry.

## Ample Capacity for growth

The utilisation rate for the Group's manufacturing facility currently stands at 60% - 70%, giving UMS ample capacity for its future expansion. This ample capacity will enable the Group to meet any short term surge in demands from its major customer as well as allowing UMS to step up its efforts in acquiring new customers from other profitable sectors.

For the year under review, the management had been intensifying its efforts to achieve the goal of expanding of the Group's clientele base. Under the assistance of Singapore trade bodies as well as UMS' own business associates, the management had explored various opportunities and will be evaluating each opportunity with prudence.

## Outlook

Since the recovery in 4Q2013, the Group continues to experience increased business activities resulting from robust demands in the beginning of FY2014. Additionally, its major customer has also given indications of stronger orders in the coming months. In anticipation of the increasing business volume, the Group had been stocking up its inventory during the last quarter of FY2013.

Similarly, many leading institutions have also forecasted 2014 to be a year of growth for the global semiconductor equipment market, expecting improvement of more than 20%. Barring any unforeseen circumstances and the cyclical nature of the Group's industry, the Group will remain profitable in FY2014.

# Financial Review



## Revenue

Despite UMS registering a record earnings for FY2013, the Group's revenue grew marginally 6% from S\$113.2 million in FY2012 to S\$120.5 million in FY2013. Recovering from the lows in 2H2012, the Group reported sequential revenue growth of 36% from S\$44.6 million in 2H2012 to S\$60.7 million in 1H2013 as many foundries resumed their capital expenditure spending.

However, following two consecutive quarters of strong demand driven by the foundries' investment programs during 1H2013, the semiconductor industry took a "breather" and UMS experienced a slower third quarter, with its revenue sliding 23% quarter on quarter to S\$25.4 million.

Moving into the last quarter of FY2013, UMS began to experience improved demands and stronger orders as it round off the financial year with its 4Q2013 growing 36% to S\$34.5 million compared to the preceding quarter. The strong performance of 4Q2013 is likely to continue into the first half of 2014 as global semiconductor equipment industry resumed its growth and foundries pick up pace on their capital expenditure programs.

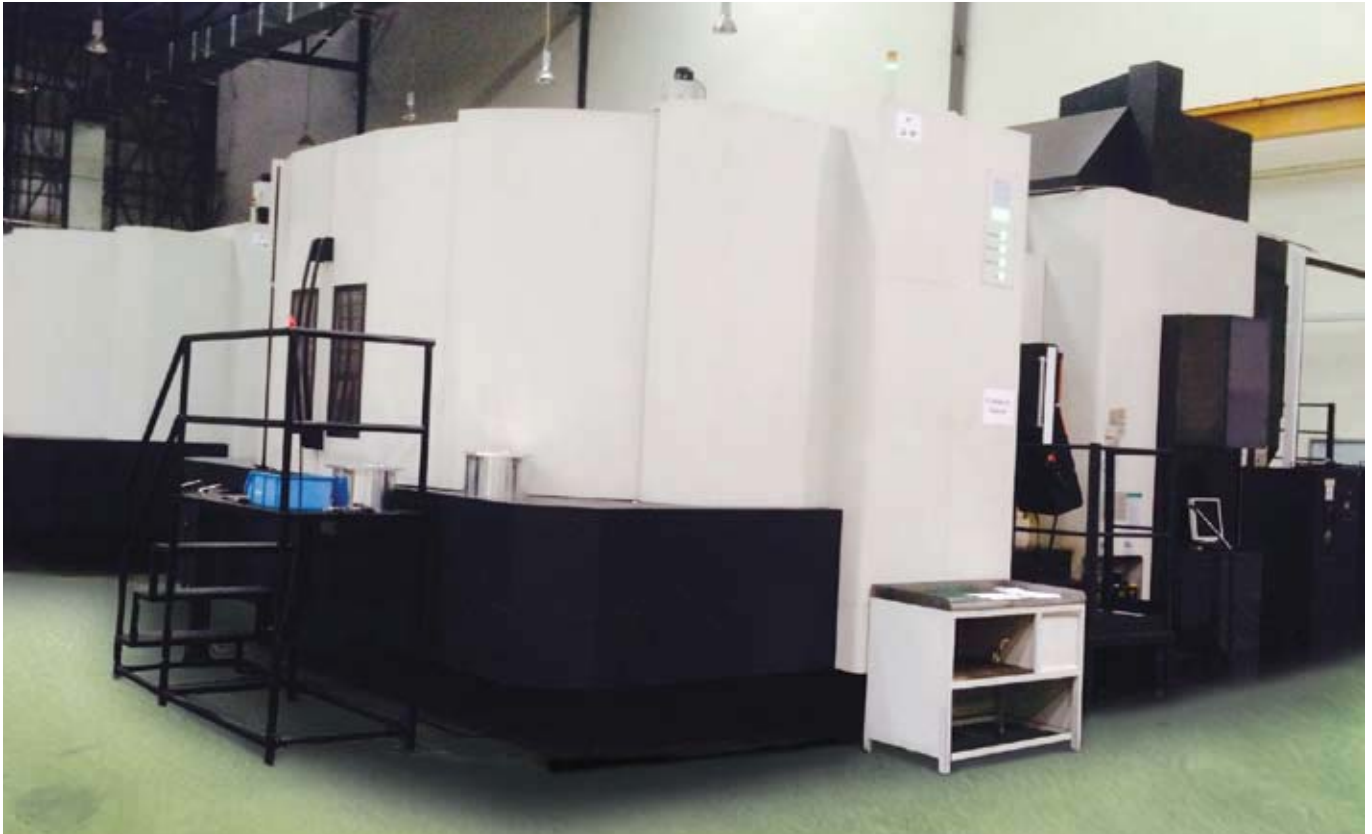
Segmentally, Semicon segment's revenue improved 10% to S\$117.5 million in FY2013 from S\$106.7 million in FY2012. On the other hand, revenue from the CEM segment declined 54% to S\$3.0 million in FY2013 from S\$6.6 million a year ago.

Geographically, UMS revenue from Singapore in FY2013 decreased 6% from S\$72.7 million in FY2012 to S\$68.5 million in FY2013. Revenue in US increased 24% in FY2013 to S\$27.2 million from S\$21.9 million in FY2012, while revenue from "Others" increased 33% from S\$18.7 million in FY2012 to S\$24.9 million in FY2013.

## Profitability

In FY2013, UMS' gross material margin increased to 54% as compared to 49% in FY2012 mainly due to better product mix and improved costs efficiency resulting from a series of strategies that are mentioned previously. Employee benefits expense increased 13% from S\$11.6 million in FY2012 to S\$13.1 million in FY2013. Depreciation expense decreased from S\$10.6 million in FY2012 to S\$7.9 million in FY2013.

Other expenses saw an increment of 10% from S\$10.9 million in FY2012 to S\$12.0 million in FY2013. In line with the higher



profit, income tax expense saw an increase from S\$1.7 million in FY2012 to S\$3.8 million in FY2013. The higher effective tax rate in FY2013 of 12% compared to 9.0% of FY2012, was mainly due to a larger portion of profits recognised in US which has a higher tax rate compared to other entities within the Group.

As a result of the above, UMS recorded a net profit after tax of S\$28.9 million for FY2013, a 70% increase from S\$17.0 million in FY2012.

## Cash Flow

For the full year under review, UMS generated a positive operating cash flow of S\$27.8 million and free cash flow of S\$25.8 million in FY2013, as compared to S\$31.0 million and S\$29.3 million respectively in FY2012. The cash flow generated a percentage of net profit after tax for FY2013 was lower than that of FY2012, mainly due to increased working capital deployed in 4Q2013 to support higher business volume in the first half of FY2014.

Despite the above, the Group was still able to demonstrate its strong capabilities in generating a relatively high level of free cash flow.

As of 31 December 2013, UMS has no debt and its net cash and cash equivalents remained healthy at S\$29.2 million as compared to that of \$15.3 million as at 31 December 2012.

## Dividend

In view of the UMS' record performance and in recognition of shareholders' support of the Group, the Board had proposed a final dividend of 2.0 Singapore cents per ordinary share and special dividend of 1.5 Singapore cents per ordinary share (tax-exempt one-tier) for FY2013. This brings the total dividend proposed and declared to 6.5 Singapore cents per share which includes dividends of 1.0 Singapore cent per ordinary share already paid out in each preceding quarter from 1Q2013, 2Q2013 and 3Q2013.

Going forward and as exhibited by the Group's adoption of a quarterly cash dividend policy in FY2012, the board of directors as well as the management remained committed to return values to shareholders regularly via quarterly dividends pay out.

# Board of Directors



Soh Gim Teik

## Soh Gim Teik Chairman

Mr Soh Gim Teik was appointed Non-Executive Chairman and Independent Director of the Company since 2008.

Mr Soh graduated in 1978 with a degree in Bachelor of Accountancy. He had previously practised as a public accountant and also had many years of working experience with a listed entity as a finance director/chief financial officer. He is a member of the Institute of Certified Public Accountants of Singapore ("ICPAS") and was previously the Chairman of the CFO Committee of ICPAS. He is currently a Board and Governing Council member of the Singapore Institute of Directors and had also served as a committee member of the Professional Accountants in Business Committee of the International Federation of Accountants.

Mr Soh is currently an independent director in other public companies and also serves on various non-profit and charitable organisations. He was named the CFO of the Year (for mid-cap companies) at the inaugural Singapore Corporate Awards in 2006.



Luong Andy

## Luong Andy Chief Executive Officer

Mr Luong Andy was appointed as Chief Executive Officer of the Company in January 2005. Mr Luong previously served as Chief Operating Officer of the Company since April 2004.

As President and Founder of the UMS Group, he has more than 20 years of experience in manufacturing front-end semicon components. He acquired his machining skills through his experience in working in his family's machining business in Vietnam. He emigrated to the USA from Vietnam in 1979 and shortly after college, started a precision machining business called Long's Manufacturing, Inc.



Oh Kean Shen

## Oh Kean Shen Independent Director

Mr Oh Kean Shen was appointed as an independent Director of the company on 20 September 2007.

A graduate of the South Australian Institute of Technology with a Bachelor Degree in Mechanical Engineering, he has now resume his role as the Managing Director of Limbungan Batu Maung Sdn Bhd and his yachts sales company, Pen Marine Sdn Bhd. In the past 8 years, he was Vice President of the Kenanga Investment Bank Berhad providing professional investment management services to corporate clients. Mr Oh is actively involve in the Association of Marine Industry of Malaysia, Singapore Boating Industry Association and the Asia Pacific Superyacht Association in the quest to promote the surge of the luxury yachting industry in Asia.





Neo Ban Chuan

## Neo Ban Chuan Independent Director

Mr Neo Ban Chuan was appointed as an Independent Director of the Company on 16 July 2008.

Mr Neo was the Head of Restructuring at one of the Big Four accounting firm before he retired in 2007. After he retired, he set up BC Neo Business Advisory Pte Ltd. Mr Neo has been in the Restructuring business for close to 30 years and had managed a diverse portfolio where highly specialised skill sets are required in the administration of an array of appointments involving judicial management, receivership, both compulsory Court-ordered and voluntary liquidation, corporate turnaround restructuring and business advisory services. Mr Neo has been involved in the overall conduct of numerous liquidation, receivership and judicial management type assignment and is intimately familiar with the legislative and regulatory requirements expected of these assignments. He is a well regarded personality in the insolvency practice circle.



Chay Yiowmin

## Chay Yiowmin Independent Director

Mr Chay Yiowmin was appointed as an independent Director of the company on 28 June 2013.

Mr Chay has more than 14 years of public accounting experience in Singapore and the United Kingdom. Mr Chay is currently an advisory partner of BDO LLP, heading the Corporate Finance, and the Financial Risk and Governance Practice. Prior to joining BDO LLP, Mr Chay gained his professional experience with a number of large multinational accounting and audit firms where he was admitted as a partner in January 2010. Mr Chay holds a Bachelor of Accountancy and a Master of Business Administration from Nanyang Technological University, and a Master of Business Administration from the University of Birmingham. Mr Chay is also a practising member of the Institute of Singapore Chartered Accountants (ISCA), Certified Finance and Treasury Professional (CFTP) of the Finance and Treasury Association (FTA), and a Fellow Member of the American Academy of Financial Management (AAFMM).

Mr Chay currently sits on the Young Executive Group committee of the Singapore Shipping Association, the Singapore steering committee of the Professional Risk Managers' International Association (PRMIA), and the Corporate Finance committee of the ICSA.



Loh Meng Chong, Stanley

## Loh Meng Chong, Stanley Executive Director

Mr. Stanley Loh was appointed as an Executive Director of the Company on 30 June 2010.

Mr. Stanley Loh joined the Company on 5 September 2008 as the Group's Financial Controller. He brings with him over 20 years of experience in finance, accounting, treasury and auditing. Before joining the Company, he held several controllership positions in trading and manufacturing organizations.

Mr Loh holds a Bachelor of Accountancy (Hons) from National University of Singapore and a Master of Business Administration from Southern Illinois University (Carbondale). A member of the Institute of Singapore Chartered Accountants (ISCA), he is responsible for the overall financial, accounting, tax, treasury, corporate finance, compliance matters as well as the daily operations of the Group.



# Management Team



Luong Andy

## Luong Andy Chief Executive Officer

Mr Luong Andy, the Founder of UMS Holdings, has been the Group's Chief Executive Officer since January 2005. He currently holds **88,607,727** ordinary shares in the Group.

Mr Luong has more than 20 years of experience in manufacturing front-end semicon components. He acquired his machining skills through his experience working in his family's machining business in Vietnam. He emigrated to the USA from Vietnam in 1979 and shortly after college, started a precision machining business called Long's Manufacturing, Inc.



Loh Meng Chong, Stanley

## Loh Meng Chong, Stanley Group Financial Controller / Senior Vice President, Operations

Mr. Stanley Loh joined the Company on 5 September 2008 as the Group's Financial Controller. He brings with him over 20 years of experience in finance, accounting, treasury and auditing. Before joining the Company, he held several controllership positions in trading and manufacturing organizations.

During the year, Mr Loh's responsibilities expanded to cover the entire UMS Group operations.

Mr Loh holds a Bachelor of Accountancy (Hons) from National University of Singapore and a Master of Business Administration from Southern Illinois University (Carbondale). A member of the Institute of Singapore Chartered Accountants (ISCA), he is responsible for the overall financial, accounting, tax, treasury, corporate finance, compliance matters as well as the daily operations of the Group.



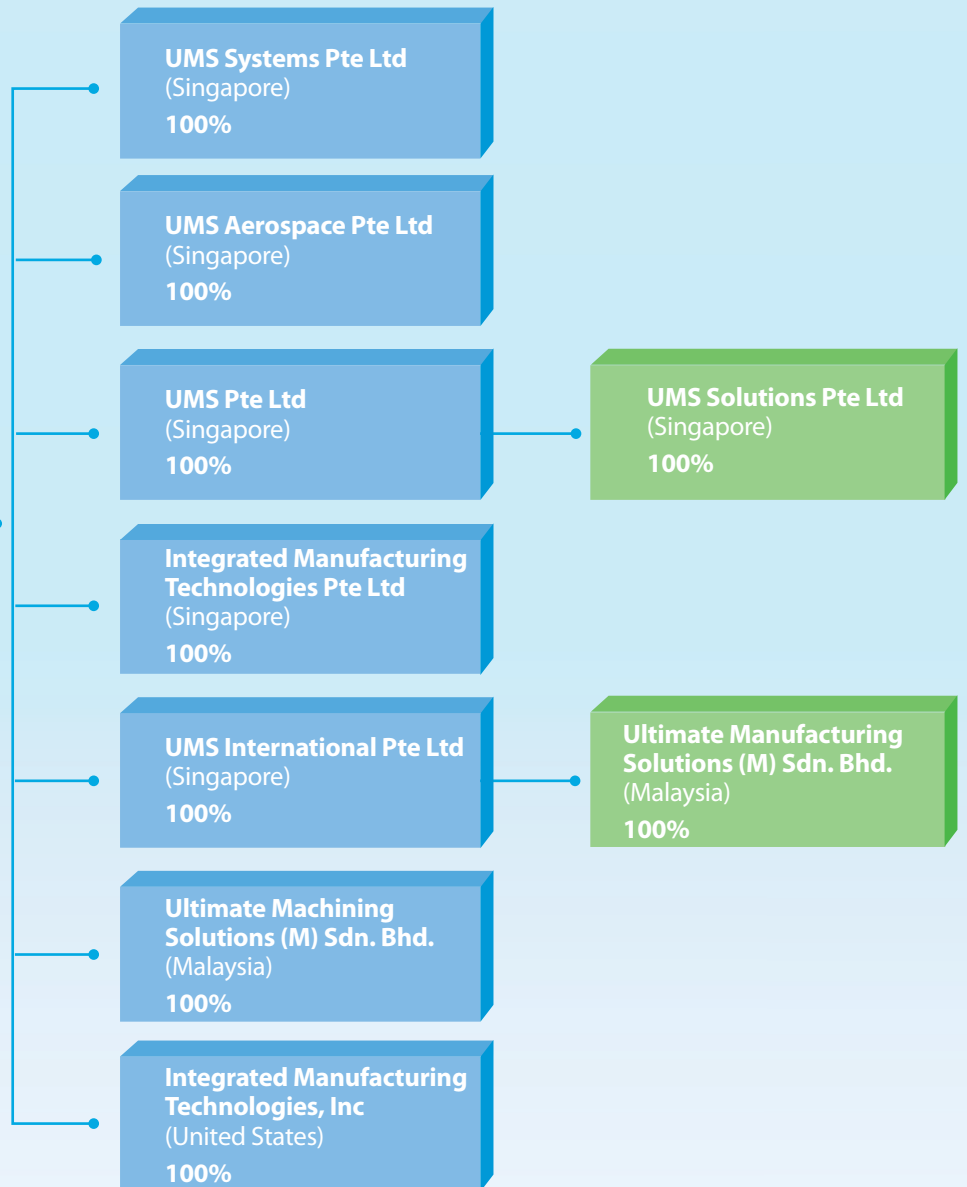
Kay Tan Kian Hong

## Kay Tan Kian Hong Global Account Director

Mr Kay Tan was appointed Global Account Director in 2007, located in Milpitas, California. As Global Account Director, Mr Tan holds overall responsibility for managing the relationship between UMS and our key customers in USA by facilitating appropriate customer contacts at all levels, across all business creation cycles. He is also responsible for the Company's USA subsidiary.

Prior to joining UMS in April 2007 Mr Tan held a number of positions with increasing responsibilities. Mr Tan started as a Trainee Supervisor in precision machining in 1989 and in 2003, re-located to California, USA as a Key Account Manager. Mr Tan brought with him 20 years of broad scope experience in the machining and assembly for high-tech equipment manufacturing industries and hands on experience in Project Management, Account Management, Sales and Marketing.

# Group Structure



# Milestones

**2012** February Completed acquisition of Integrated Manufacturing Technologies Pte Ltd and Integrated Manufacturing Technologies Inc

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**2011** December Entered into agreement to acquire Integrated Manufacturing Technologies Pte Ltd and Integrated Manufacturing Technologies Inc

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**2010** December Obtained 10-years pioneer tax-free status in Malaysia

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**2009** February Commence operation of Malaysia - Penang Hub, a RM75 million investment 2008

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**2008** February Grand opening of new Changi North Rise facility

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**2007** August Ground Breaking of Penang (Malaysia) facility  
March Entered into an exclusive contract with a major oil & gas company  
January UMS obtained AS9100:2004 certification

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**2006** December Ground Breaking of a new 80,000 square foot facility in Changi North Rise, Singapore  
August Announcement of a US\$20 million investment into new business segments including aerospace and oil and gas

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**2004** Merger with Norelco Centreline Holdings Limited

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**1996** Started UMS in Singapore

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**1984** Founding of Long's Manufacturing in Silicon Valley, USA by Luong Andy

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## SINGAPORE

**UMS Pte Ltd**

**UMS Aerospace Pte Ltd**

**UMS Systems Pte Ltd**

**UMS Solutions Pte Ltd**

**UMS International Pte Ltd**

**Integrated Manufacturing Technologies Pte Ltd**

23 Changi North Crescent  
Changi North Industrial Estate  
Singapore 499616

Tel : (65) 6543 2272

Fax : (65) 6542 9979

Email : [sales@umsgroup.com.sg](mailto:sales@umsgroup.com.sg)

Website: <http://www.umsgroup.com.sg>

## USA

**Integrated Manufacturing Technologies, Inc**

(California office)

1477 North Milpitas Boulevard  
Milpitas, CA 95035

**Integrated Manufacturing Technologies, Inc**

(Texas office)

13930 Immanuel Road, Suite B  
Pflugerville, TX 78660

Tel : (65) 6543 2272

Fax : (65) 6542 9979

Email : [sales@umsgroup.com.sg](mailto:sales@umsgroup.com.sg)

Website: <http://www.umsgroup.com.sg>

## MALAYSIA

**Ultimate Manufacturing Solutions (M) Sdn. Bhd.**

**Ultimate Machining Solutions (M) Sdn. Bhd.**

1058, Jalan Kebun Baru, Juru  
14100 Simpang Ampat  
Seberang Perai Tengah  
Pulau Penang  
Malaysia

Tel : (604) 507 3000

Fax : (604) 502 3000

Email : [sales@umsgroup.com.sg](mailto:sales@umsgroup.com.sg)

Website: <http://www.umsgroup.com.sg>

# Corporate Information

## Board of Directors

Soh Gim Teik  
Chairman

Luong Andy  
Chief Executive Officer

Oh Kean Shen  
Independent Director

Neo Ban Chuan  
Independent Director

Chay Yiowmin  
Independent Director

Loh Meng Chong, Stanley  
Executive Director / Group Financial Controller /  
Senior Vice President, Operations

## Audit Committee

Neo Ban Chuan  
Oh Kean Shen  
Chay Yiowmin

## Nominating Committee

Oh Kean Shen  
Soh Gim Teik  
Luong Andy  
Chay Yiowmin  
Neo Ban Chuan

## Remuneration Committee

Chay Yiowmin  
Neo Ban Chuan  
Oh Kean Shen

## Registered Office

23 Changi North Crescent  
Changi North Industrial Estate  
Singapore 499616  
Tel: (65) 6543 2272 Fax: (65) 6542 9979  
Website: [www.umsgroup.com.sg](http://www.umsgroup.com.sg)

## Independent Auditors

Moore Stephens LLP  
Public Accountants and Chartered Accountants  
10 Anson Road #29-15 International Plaza  
Singapore 079903  
Audit Partner-in-charge: Christopher Bruce Johnson  
(appointed with effect from financial year ended  
31 December 2013)

## Share Registrar

Boardroom Corporate and Advisory Services Pte. Ltd.  
50 Raffles Place #32-01  
Singapore Land Tower  
Singapore 048623

## Principal Bankers

Oversea-Chinese Banking Corporation Limited  
Standard Chartered Bank  
Citibank, N.A.,  
The Development Bank of Singapore Ltd  
United Overseas Bank Limited

## Company Secretary

Ms Shirley Lim Guat Hua (ACIS)  
Complete Corporate Services Pte Ltd  
10 Anson Road #32-15 International Plaza  
Singapore 079903



# Corporate Governance Report

The Board and Management of UMS Holdings Limited (the “Company”) is committed to maintaining high standards of corporate governance and practices that are essential to protect the interest of shareholders. Excellence in corporate governance will not only enhance and safeguard the interest of all our shareholders; it will also foster the stability and sustainability of the Group’s performance that is crucial in the building of long-term shareholders’ value.

This report describes the Group’s corporate governance policies and processes with reference to the Code of Corporate Governance 2012 (the ‘Code’). The Board is pleased to confirm that for the financial year ended 31 December 2013, the Company has generally adhered to the principles and guidelines of the Code and any deviations will be specified in this report.

## The Board’s Conduct of its Affairs – Principle 1

The Board comprises six Directors at the end of the year 2013, of which four, including the Non-Executive Chairman, are Independent Directors. The Board provides entrepreneurial leadership, set strategic aims, and ensures that the necessary financial and human resources are in place for the Company to meet its objectives. It also establishes a framework of prudent and effective controls which enable risks to be assessed and managed. In addition, it reviews management performance, set the Group’s values and standards, and ensure that obligations to shareholders and others are understood and met.

The key responsibilities of the Board include:

- Approving business direction and strategies;
- Monitoring management’s performance;
- Ensuring the adequacy, efficiency and effectiveness of internal controls, risk management procedures, financial reporting and compliance;
- Approving annual budget, major funding, investment and divestment proposals;
- Approving the nominations of the Board of Directors and appointments to the various Board committees; and
- Assuming the responsibility for overall corporate governance of the Group.

The Group has in place, a set of internal guidelines setting forth matters that require the Board’s approval. Matters that specifically require the Board’s approval are those involving:

- Release of all results and any other relevant announcements;
- Group’s annual budget;
- Appointment of directors and key personnel;
- Group’s corporate and strategic directions, key operational initiatives;
- Major funding and investment initiatives;
- Merger and acquisition transactions;
- Declaration of interim dividend and proposal of final dividends;
- Interested party transactions;
- Matters involving conflict of interests for substantial shareholders or directors; and
- All other matters of material importance.

To ensure smooth and effective running of the Group and to facilitate decision making, the Board has established various committees to assist in the discharge of its responsibilities. These committees operate under clearly defined terms of reference, which are headed by Independent Directors. The three committees are:

- Audit Committee (“AC”)
- Nominating Committee (“NC”)
- Remuneration Committee (“RC”)

# Corporate Governance Report

The Board meets regularly at least four times a year, to coincide with the announcement of the Group's quarterly results. Ad-hoc Board meetings are also convened as and when deemed necessary by the Board to address any specific or significant matters that may arise. At meetings of the Board, the Directors are free to discuss and openly challenge the views presented by management and other Directors. The decision making process is an objective one. In lieu of physical meetings, written resolutions are also circulated for approval by the members of the Board.

During the current financial year, the Board met five times. The Company's Articles of Association provides for the meetings of the Board by means of conference telephone or similar communications equipment. The number of Board meetings held and the attendance of each board member at the meetings for the year ended 31 December 2013 are disclosed below:

Name of Director	Board Meetings		Audit Committee Meetings		Nominating Committee Meetings		Remuneration Committee Meetings	
	No Held	No Attended	No Held	No Attended	No Held	No Attended	No Held	No Attended
Mr Soh Gim Teik <sup>^*</sup>	5	5	N.A	N.A	2	2	N.A	N.A
Mr Luong Andy <sup>+</sup>	5	5	N.A	N.A	2	2	N.A	N.A
Mr Oh Kean Shen <sup>#*</sup>	5	5	5	5	2	2	4	4
Mr N. Sreenivasan <sup>#*</sup> (Resigned on 29 April 2013)	5	2	5	1	2	2	4	3
Mr Neo Ban Chuan <sup>#*</sup>	5	5	5	5	2	2	4	4
Mrs Sylvia SY Lee Luong <sup>1+</sup> (Resigned on 6 March 2013)	5	0	N.A	N.A	N.A	N.A	N.A	N.A
Mr Chay Yiowmin <sup>#*</sup> (Appointed on 28 June 2013)	5	2	5	3	2	0	4	1
Mr Stanley Loh Meng Chong <sup>+</sup>	5	5	N.A	N.A	N.A	N.A	N.A	N.A

1: Mrs Sylvia SY Lee Luong is the wife of the Executive Director, Mr Luong Andy.

<sup>^</sup> Non-Executive Chairman

<sup>+</sup> Executive Director

<sup>#</sup> Non-Executive Director

<sup>\*</sup> Independent Director

On 6 March 2013, Mrs Sylvia SY Lee Luong resigned as an Executive Director of the Company.

On 28 June 2013, Mr Chay Yiowmin was appointed as an Independent Director of the Company and Mr N. Sreenivasan resigned as an Independent Director on 29 April 2013.

To enhance the effectiveness of the Board, all Board members are kept informed of all the relevant new laws and regulations. Whenever a new Director is appointed on the Board, the Company ensures that he receives appropriate training, briefing and orientation to enable him to discharge his duties effectively.

## Board Composition and Balance – Principle 2

As at 31 December 2013, the Board comprises six directors. The Chief Executive Officer ("CEO") is one of two Executive Directors whilst the remaining four Directors, including the Non-Executive Chairman, are Non-Executive Directors of the Company. Non-Executive Directors of the Company assist the Chairman to fulfil his role by regularly assessing the effectiveness of the Board's processes and activities in meeting set objectives and corporate governance standards.

# Corporate Governance Report

Four Directors out of the total Board of six Directors are independent; hence the Group believes the Board is effective and autonomous. The independence of each Director is reviewed annually by the Nominating Committee based on the Code's definition of independence. The Board has also satisfied the Code whereby at least one-third of the Board should be independent.

The non-executive and independent Directors would bring a broader view with independent judgment on issues for the Board's deliberations.

The Board has the requisite blend of expertise, skills and attributes to oversee the Company's business. Collectively, they have the core competencies in areas such as accounting or finance, business or management experience, industry knowledge, strategic planning experience and customers-based experience or knowledge, technology, and international affairs which provide valuable insights to the Group. The diverse mix of background and experience provides for effective direction for the Group in its mission to becoming a multinational group with a strong competitive edge in its business objectives. The Board considers its size as adequate and optimum to undertake the numerous tasks of setting strategy, establishing vision, mission and value, exercising accountability to shareholders, and delegating authority to management after taking into account the scope and nature of the operations of the Company and of the Group.

## Chairman and Chief Executive Officer – Principle 3

### Guideline 3.1 – Relationship between Chairman and Chief Executive Officer

The Code states that the roles of the Chairman and the CEO should be separate to ensure an appropriate balance of power and authority, increased accountability and greater capacity of the Board for independent decision making. The division of responsibilities between the Chairman and the CEO should be clearly established, set out in writing and agreed by the Board. The Company has adhered to the recommendation of the Code by appointing Mr Soh Gim Teik as a non-Executive Chairman with effect from 15 February 2008. Mr Luong Andy has been the CEO of the Company since 2005.

As the CEO, Mr Luong Andy is responsible for the day-to-day management of the business. Mr Luong Andy has executive responsibilities in the business directions and operational efficiency of the Group and plays a pivotal role in steering the strategic direction and growth of the business. He also oversees the execution of the Group's corporate and business strategy set out by the Board and ensures that the directors are kept updated and informed of the Group's business.

As the non-Executive Chairman, Mr Soh Gim Teik's responsibilities, among others, include the following:

- Lead the Board to ensure its effectiveness to all aspects of its role and set its agenda;
- Ensure that the directors receive accurate, timely and clear information;
- Ensure effective communication with shareholders;
- Encourage constructive relations between the Board and Management;
- Facilitate the effective contribution of Non-Executive Directors to the Board;
- Encourage constructive relations between the Non-Executive Directors and Executive Directors; and
- Promote high standards of corporate governance.

## Board Membership – Principle 4

### Guideline 4.1 – Composition of Nominating Committee

The appointment of new directors to the Board is recommended by the NC. The NC comprises four Non-Executive Directors and one Executive Director, namely Mr Oh Kean Shen, Mr Soh Gim Teik, Mr Chay Yiowmin, Mr Neo Ban Chuan and Mr Luong Andy.

# Corporate Governance Report

Name	Role in NC	Role In Board
Mr Oh Kean Shen (Appointed as Chairman of NC on 8 August 2012)	Chairman	Independent and Non-Executive Director
Mr N. Sreenivasan (Resigned as member on 29 April 2013)	Member	Independent and Non-Executive Director
Mr Neo Ban Chuan	Member	Independent and Non-Executive Director
Mr Soh Gim Teik	Member	Chairman, Independent and Non-Executive Director
Mr Luong Andy	Member	Chief Executive Officer and Executive Director
Mr Chay Yiowmin (Appointed on 28 June 2013)	Member	Independent and Non-Executive Director

The Chairman of the NC is not directly associated with any substantial shareholder of the Company. The NC works within the written terms of reference, which describes the responsibilities of its members. The principal functions of the NC include the following:

- Make recommendations to the Board on all board appointments, retirements and re-nomination having regards to the director's contribution and performance;
- Review and determine the independence of each director and ensure that the Board comprises at least one-third independent directors;
- Review and decide if a director is able to and has been adequately carrying out his/her duties as a director of the Company, when he/she has multiple board representations. The NC is of the opinion that all the directors who serve on multiple boards have allocated sufficient time and attention to the Company and have carried out their duties as directors of the Company; and
- Determine how the Board's performance may be evaluated, and propose objective performance criteria to assess the effectiveness of the Board as a whole.

## **Guideline 4.5 – Selection and appointment of new Director**

In identifying for appointment of new Directors, the NC applies the following main principles:-

- The Board shall have a majority of Directors who are not substantial shareholders of the Company and are independent of the substantial shareholders of the Company; and
- The NC must be satisfied that each candidate is fit and proper for the position or office and is the best or most qualified candidate nominated for the position or office taking into account the candidate's track record, age, experience, capabilities, and other relevant factors.

Under the Articles of Association of the Company, the Directors are required to retire at least once every three years. The NC assesses and recommends to the Board whether the retiring Directors are suitable for re-election. The NC considers that the multiple board representations held presently by some of the Directors do not impede their performance in carrying out their duties to the Company and in fact, enhances the performance of the Board as it broadens the range of the experience and knowledge of the Board.

## **Board Performance – Principle 5**

There should be a formal assessment of the effectiveness of the Board as a whole and the contribution by each Director to the effectiveness of the Board.

# Corporate Governance Report

The NC has established an appraisal process to assess the performance and effectiveness of the Board as a whole as well as to assess the contribution of individual directors. It focuses on a set of performance criteria which includes the evaluation of the size and composition of the Board, the Board's access to information, the Board processes and accountability. Review of the Board's performance, as appropriate, is undertaken collectively by the NC annually and informally on a continual basis.

The NC is responsible for the following functions:-

- To review and determine the independence of each director;
- To make recommendations to the Board on all nominations for appointment and re-appointment of directors;
- To implement a process for assessing the effectiveness of the Board as a whole and the contribution by each director;
- To evaluate the independence of each director as well as the size and composition of the Board; and
- To propose the Board's performance evaluation criteria.

## Access to Information – Principle 6

The Board members are given an update on the Group's financials, business plans and developments prior to board meetings and on an on-going basis. Management has an obligation to provide the Board with complete and adequate information in a timely manner. Board members are given full access to the Company's information and independent access to the Company's Management, including the Group Financial Controller, and the Company Secretary. To ensure that the Board members have sufficient time to look through the materials and information, all board papers are sent to the members a few days before the Board meeting.

The Directors have separate and independent access to the Company Secretary. The Company Secretary assists the Chairman in ensuring that all board procedures are followed and that the Company's Memorandum and Articles of Association and applicable rules and regulations, including requirements of the Singapore Companies Act and the Singapore Exchange Securities Trading Limited ("SGX-ST") are complied with. The Company Secretary or her representatives also administer, attend and prepare the minutes of all Board and Board Committee meetings and assist the Chairman in implementing and strengthening corporate governance practices and processes. The Company Secretary is also the primary channel of communication between the Company and SGX-ST.

The Company Secretary or her representatives attends all Board and Board Committee meetings and the minutes of such meetings are promptly circulated to all Board members.

The appointment and the removal of the Company Secretary is a matter for the Board as a whole.

Each Director, whether individually or as a group, has the right to seek independent professional advice as and when necessary, in furtherance of their duties, at the Company's expense and with the approval of the Chairman.

## Procedures for Developing Remuneration Policies – Principle 7

There should be a formal and transparent procedure for developing policies on executive remuneration and for fixing the remuneration packages of individual directors. No Director should be involved in deciding his own remuneration.

The Remuneration Committee ("RC") comprises the following Directors :-

Name	Role in RC	Role In Board
Mr N. Sreenivasan (Resigned as Chairman of RC on 29 April 2013)	Chairman	Independent and Non-Executive Director
Mr Chay Yiowmin (Appointed as Chairman of RC on 28 June 2013)	Chairman	Independent and Non-Executive Director
Mr Neo Ban Chuan	Member	Independent and Non-Executive Director
Mr Oh Kean Shen	Member	Independent and Non-Executive Director



# Corporate Governance Report

The RC members comprise entirely of Non-Executive and independent Directors. The members of the RC have extensive experience in the formulation and implementation of wage policies and compensation schemes. If necessary, the RC will seek expert advice on human resource matters or on remuneration of all directors, either within or outside the Company.

The RC's responsibilities include the following:

- Recommending to the Board a framework of remuneration, and the specific remuneration packages for each director and the CEO (including but not limited to director's fees, salaries, allowances, bonuses, variable incentives, options and benefits in kind) for the Board and key executives. If necessary, the RC will seek expert advice inside and/or outside the company on remuneration of all directors.
- Review the adequacy and form of compensation of executive directors to ensure that the compensation realistically commensurate with the responsibilities and risks involved in being an effective executive director;
- The performance-related elements of remuneration are designed to align interest of executive directors with those of shareholders and link rewards to corporate and individual performance. There are appropriate and meaningful measures for the purpose of assessing executive directors' performance;
- Recruiting executive directors of the Company and determining their employment terms and remuneration;
- Positioning the Company's executive remuneration package relative to other companies or its competitors;
- Reviewing and recommending to the Board the terms of renewal for those executive directors whose current employment contracts have expired;
- Ensuring adequate disclosure in the directors' remuneration as required by regulatory bodies such as SGX-ST; and
- Overseeing the payment of fees to non-executive directors.

## Level and Mix of Remuneration – Principle 8

The level of remuneration should be appropriate to attract, retain and motivate the directors needed to run the Company successfully but companies should avoid paying more for this purpose. A significant proportion of executive directors' remuneration should be structured so as to link rewards to corporate and individual performance.

The RC adopts a formal procedure for fixing the remuneration packages of individual directors. In setting the remuneration package of the individual directors, the Company takes into consideration the following factors:

- Pay and employment conditions within the industry and in comparable companies;
- The Company's relative performance and the performance of the individual directors;
- The attractiveness of the remuneration package so as to retain the directors and motivate them to run the Company successfully;
- Significance of performance related elements of remuneration; and
- Effort, time spent and responsibilities of the individual directors.

### Executive Directors:

Executive directors receive their remuneration in two key components, that is, fixed monthly salary and variable bonus and incentives. The fixed monthly salary includes car allowance and central provident fund contribution. The variable bonus and incentives depends largely on the performance of the Group.

### Non-Executive Directors:

Non-Executive Directors are paid an annual director's fee. In determining the quantum of director's fees, factors such as effort and time spent, and responsibilities of the directors are taken into account. Non-Executive Directors are paid a basic fee and allowance for attending any additional meeting. An additional fee for serving as Chairman on any committee is also being paid to Non-Executive Directors. The RC ensures that none of the Non-Executive Directors are over-compensated to the extent that their independence may be compromised. The director's fees are subject to shareholders' approval at the Annual General Meeting.

The remuneration policies for the Executive and Non-Executive Directors have been endorsed by the RC and the Board.

# Corporate Governance Report

## Disclosure on Remuneration – Principle 9

The RC proposes appropriate remuneration framework for adoption by the Board and ensures that the Management carries out the approved policies accordingly.

### Guideline 9.1 Remuneration Details of the Directors

The remuneration of Directors for the year ended 31 December 2013 is set out below:

Name of Director	Salary	Variable Bonus and Incentives	Allowances	Central Provident Fund Contribution	Directors Fees	Total
	%	%	%	%	%	%
<b>Non- Executive Directors</b>						
<b>Below S\$250,000</b>						
Mr Soh Gim Teik	0%	0%	0%	0%	100%	100%
Mr N. Sreenivasan	0%	0%	0%	0%	100%	100%
Mr Neo Ban Chuan	0%	0%	0%	0%	100%	100%
Mr Oh Kean Shen	0%	0%	0%	0%	100%	100%
Mr Chay Yiowmin	0%	0%	0%	0%	100%	100%
<b>Executive Directors</b>						
<b>S\$ 1,250,000 to S\$1,499,999</b>						
Mr Luong Andy	34%	51%	14%	1%	0%	100%
<b>S\$ 750,000 to S\$ 999,999</b>						
Mrs Sylvia SY Lee Luong <sup>1</sup> (Resigned on 6 March 2013)	8%	88%	2%	2%	0%	100%
<b>S\$ 250,000 to S\$ 499,999</b>						
Mr Stanley Loh Meng Chong	54%	38%	5%	3%	0%	100%

1: Mrs Sylvia SY Lee Luong is the wife of the Executive Director, Mr Luong Andy. After her resignation, she was reassigned as a consultant. The consultancy contract is with Sure Achieve Enterprises Pte Ltd in which Mrs Luong is a director. The contract is renewable every 2 years and the annual fee is S\$800,000.

### Guideline 9.2 – Remuneration of the top five executives of the Group

The breakdown remuneration of the top 5 key executives (who are not Directors of the Company) in percentage terms for the year ended 31 December 2013 is set out below:

Name of Key Executive	Salary	Variable Bonus and Incentives	Allowances	Central Provident Fund Contribution	Total
	%	%	%	%	%
<b>Below S\$250,000</b>					
Mr Kay Tan Kian Hong	56%	44%	0%	0%	100%
Mr Gobinath A/L Gunaselan	78%	7%	5%	10%	100%
Ms Pang Su Chun	79%	6%	5%	10%	100%
Ms Ang Teng Fung	78%	7%	3%	12%	100%
Mr Gajendran Rajendra Babu	72%	7%	8%	13%	100%

# Corporate Governance Report

Other than as disclosed, the Company does not have any employee who is an immediate family member of a Director or CEO and whose remuneration exceeds S\$150,000 during the financial year.

## Accountability – Principle 10

The Board is accountable to the shareholders while the Management is accountable to the Board.

As defined in the Code, the Board presents to shareholders a balanced and understandable assessment of the Group's performance, position and prospect. The Management provides all Board members with management reports and accounts which represent balanced, understandable assessment of the Group's performance, position and prospects on a quarterly basis.

It is the Board's policy to provide the shareholders with all important and price sensitive information. These are done through the SGXNET during the quarterly announcements as and when necessary.

## Audit Committee – Principle 11

The Audit Committee ("AC") comprises the following members:

Name	Role in AC	Role In Board
Mr Neo Ban Chuan	Chairman	Independent and Non-Executive Director
Mr N. Sreenivasan (Resigned as member on 29 April 2013)	Member	Independent and Non-Executive Director
Mr Chay Yiowmin (Appointed on 28 June 2013)	Member	Independent and Non-Executive Director
Mr Oh Kean Shen	Member	Independent and Non-Executive Director

The roles and responsibilities of the AC are to:

- Recommend to the Board, the external auditors to be appointed and the remuneration and terms of engagement letter therein;
- Review with the internal and external auditors, the audit plan, including the nature and scope of the audit and its cost effectiveness before the audit commences;
- Review with the internal auditors and external auditors, their evaluation of the adequacy of the system of internal accounting controls and compliance functions;
- Review the Group's audited financial statements and other quarterly financial statements and related notes and formal announcements thereto; accounting principles adopted and the external auditors' report prior to recommending to the Board for approval;
- Review the nature, scope, extent and cost effectiveness of non-audit services provided by the external auditors and ensuring that these do not affect the independence and objectivity of the external auditors;
- Review any significant financial reporting issues, judgment and estimates made by the Management, so as to ensure the integrity of the financial statements of the Company;
- Discuss problems and concerns, if any, arising from the interim and final audits, and any matters which the auditors may wish to discuss (in the absence of the Management where necessary);
- Review the effectiveness of the Company's material internal controls, including financial, operational and compliance controls via reviews carried out by the internal auditors; and
- Review interested party transactions on a regular basis.

# Corporate Governance Report

In respect of the overall audit process, the AC has:-

- Provided an open avenue of communication between the external auditors, internal auditors, the Management and the Board; and
- Kept under review the scope and results of the external audit, internal audit, and their effectiveness and reported to the Board on any significant findings.

The AC is guided by its terms of reference which provides explicit authority to investigate any matters within its terms of reference, full access to and co-operation by the Management and full discretion to invite any Director and executive officer to attend its meeting, and reasonable resources to enable it to discharge its functions properly.

The AC has also put in place an anti fraud policy, whereby staff and business associates of the Group may raise concerns about possible improprieties in matters of financial reporting, fraudulent acts and other matters and ensure that arrangements are in place for independent investigations of such matters and appropriate follow up actions.

The AC met with external auditors, and with internal auditors, without the presence of the Company's management, at least once a year.

The Company has appointed a suitable auditing firm to meet its audit obligations, having regard to the adequacy of the resources and experience of the auditing firm and the audit engagement partner assigned to the audit. Moore Stephens LLP was appointed as the Company's external auditors on 7 November 2007. Mr Christopher Bruce Johnson was appointed on 20 December 2013 as the audit engagement partner in charge of the audit of the Company. The Company confirms that Rule 712 of the SGX-ST's Listing Manual is complied with.

The auditors of the Company's subsidiaries are disclosed in the notes to the financial statements in this annual report. The Company confirms that the Company and the Group has complied with Rule 715 of the SGX-ST's Listing Manual.

For FY2013, the total amount of fees in respect of statutory audit services provided by the external auditors for the Group amounted to approximately S\$176,000. There was no non-audit service rendered by the Group's external auditors, Moore Stephens LLP, to the Group for the FY2013.

The AC is satisfied with the independence and objectivity of the external auditors during the financial year and has recommended to the Board the re-appointment of Moore Stephens LLP as external auditors at the forthcoming Annual General Meeting of the Company.

## Internal Controls and internal audit – Principles 12 & 13

The Board should ensure that the Management maintains a sound system of internal controls to safeguard the shareholders' investments and the Company's assets.

The Board acknowledges that it is responsible for the overall internal control framework, but recognises that no cost effective internal control system will preclude all errors and irregularities, as a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

The internal audit ("IA") function of the Group is outsourced to KPMG Singapore Risk Advisory Services ("KPMG"). The IA reports to the AC. KPMG is guided by the Standards for Professional Practice of Internal Auditing set by The Institute of Internal Auditors.

# Corporate Governance Report

The Group's internal auditors conduct review in accordance with the audit plans of the Group's key internal controls, including financial, operational and compliance controls. Any material non-compliance or failures in internal controls and recommendations for improvement are reported to Management and to the AC. The audit conducted by internal auditors will assist the AC in the assessment of and obtaining assurance on the adequacy, efficiency and effectiveness of the Group's internal control environment.

During the financial period, Management had taken remedial actions recommended by the internal and external auditors in prior financial period so as to enhance certain internal control procedures. New areas of improvement were also recommended and implemented during the current financial period.

The Board also recognises the importance of establishing a risk management framework to facilitate the governance of risks and monitoring the effectiveness of internal controls. Accordingly, to facilitate the compliance of the Listing Manual, the Board has established a Risk Advisory Committee comprising key senior management executives during the financial year to advise the Board of the various financial, operational and compliance risks affecting the Group. Weightage will be assigned to these risks and appropriate actions will be taken to mitigate or avoid these risks.

The Company has commissioned KPMG to perform a risk assessment review and subsequently established a risk identification and management framework. In the Company, risks are identified and addressed, with the Board and senior management personnel of the Group and its subsidiaries taking ownership of these risks. Action plans to manage the risks are continually being monitored by management and the Board.

The internal auditors will review policies and procedures as well as key controls over the selected areas as approved by the Audit Committee, and will highlight any issues to the Directors and the AC. Additionally, in performing their audit of the financial statements, the external auditors perform tests over operating effectiveness of certain controls that the auditors intend to rely on that are relevant to the Group's preparation of its financial statements. The external auditors also report any significant deficiencies in such internal controls to the Directors and the AC.

Based on the internal control framework established and maintained by management, the reports from the internal and external auditors, and assurance reviewed from management, the Board opines, with the concurrence of the AC, that the system of internal controls including financial, operational and compliance controls and risk management systems maintained by the Group's management that was in place throughout the financial year up to the date of this report, is adequate to meet the needs of the Group in its current business environment. The Board, together with the AC and management, will continue to enhance and improve the existing internal control framework to identify and mitigate these risks.

## Communication with Shareholders – Principles 14 and 15

The Board's policy is that shareholders and the public should be equally and timely informed of all major developments that may impact materially on the Company.

The Company strives for timeliness and transparency in its disclosure to the shareholders and the public.

The Company communicates pertinent and timely information to its shareholders through:-

- The Company's annual reports which are prepared and issued to all shareholders containing all relevant information about the Group, including future developments and other disclosures required by the Singapore Companies Act and the Singapore Financial Reporting Standards;
- Announcement of quarterly, half-yearly and full-year's results on the Singapore Exchange Securities Trading Limited's SGXNET;
- Press releases on major developments of the Group;
- Responding to all enquiries from investors, analysts, fund managers and the media through its Corporate Communications and Investor Relations department;

# Corporate Governance Report

- Formal and informal media and analysts' briefings for the Group's interim and annual financial results, chaired by the CEO, as appropriate; and
- The Group's website at [www.umsgroup.com.sg](http://www.umsgroup.com.sg) from which shareholders can access information about the Group including all publicly disclosed financial information, corporate announcements, press releases, annual reports and profiles of the Group.

Information is first disclosed to all shareholders through SGXNET announcements before the Company meets with any group of analysts or investors. This ensures that all shareholders and the public have fair access to information. Where inadvertent disclosures are made to a selected group of people, or unfounded rumours are spread about the Company, the Company will make the same disclosures and clarify all rumours publicly immediately.

Shareholders are encouraged to attend and participate at the Company's Annual General Meeting to ensure that they have a better understanding of the Group's plans and developments for the future. The Chairman of the Board, Audit, Remuneration and Nominating Committees and Management are required to be present at these meetings to address any questions that the shareholders may have. The Company's external auditors are also invited to attend the Annual General Meeting and are available to assist the Directors in addressing any relevant queries by the shareholders relating to the conduct of the audit and the preparation and content of their auditors' report. The Board values shareholders' feedback and input.

The Company's Articles of Association provides for a shareholder of the Company to appoint one or two proxies to attend the Annual General Meeting and to vote in place of the shareholders.

## **Dealing in Company's Securities**

An internal Code on Dealings in Securities is also in place to prescribe the internal regulations pertaining to the securities of the Company and its listed subsidiaries. The code prohibits securities dealings by Directors and employees while in possession of unpublished price-sensitive information of the Group. All Directors and employees are also prohibited from dealing in the securities of the Company during the period beginning two weeks before the announcement of the Company's financial statements for each of the first three quarters of its financial year and one month before the announcement of the Company's full year financial statements and ending on the date of the announcement of the financial results. Directors and officers are also advised not to deal in the Company's securities for short term considerations and they are expected to observe insider-trading laws at all times. The Company issues regular internal memorandums to the Directors and officers of the Group to remind them of the aforementioned prohibitions.

## **Interested Person Transactions and Material Contracts**

The Company has an internal policy to deal with interested person transactions. All interested person transactions will be documented and submitted to the AC on a quarterly basis for their review and approval to ensure that the transactions are carried out at arm's length.

During the current year, there were interested person transactions involving Mr Luong Andy and Mr Stanley Loh Meng Chong. All interested person transactions were conducted on arm's length basis and on normal commercial terms within the regulatory guidelines. The Company has established procedures to ensure that all transactions with interested persons are reported on a timely manner to the Audit Committee and the transactions are carried out on normal commercial terms and will not be prejudicial to the interest of the Company and its minority shareholders. Details of the interested person transactions are found on the supplementary financial information disclosures page of this Annual Report.

Except as disclosed in the interested person transactions note found on the supplementary financial information disclosures page of this Annual Report, there was no material contract or loan entered into between the Company and any of its subsidiaries involving interests of any of the CEO, Director or controlling shareholder, either still subsisting at the end of FY2013 or if not then subsisting, entered into since the end of the previous financial year.



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The directors present their report to the members together with the audited consolidated financial statements of UMS Holdings Limited (the “Company”) and its subsidiaries (collectively the “Group”) for the financial year ended 31 December 2013, and the balance sheet of the Company as at 31 December 2013.

## 1 Directors

The directors of the Company in office at the date of this report are:

Mr Luong Andy	Executive Director
Mr Stanley Loh Meng Chong	Executive Director
Mr Oh Kean Shen	Independent Director
Mr Soh Gim Teik	Independent Director
Mr Neo Ban Chuan	Independent Director
Mr Chay Yiowmin	Independent Director (appointed on 28 June 2013)

## 2 Arrangements to Enable Directors to Acquire Shares or Debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

## 3 Directors’ Interests in Shares or Debentures

The directors of the Company holding office at the end of the financial year had no interests in the shares or debentures of the Company and related corporations as recorded in the register of directors’ shareholdings kept by the Company under section 164 of the Singapore Companies Act, Chapter 50 (the “Act”), except as follows:

Name of Directors and Company	Held in the name of director		Deemed interest	
	as at 1.1.13	as at 31.12.13	as at 1.1.13	as at 31.12.13
<b>UMS Holdings Limited (the Company)</b>			<u>Ordinary shares</u>	
Mr Luong Andy	–	–	97,486,727	95,607,727
Mr Stanley Loh Meng Chong	200,000	200,000	–	–

By virtue of Section 7 of the Act, Mr Luong Andy is deemed to have an interest in the shares held by the Company in all its wholly owned subsidiary companies.

There was no change in any of the above-mentioned interests between the end of the financial year and 21 January 2014.

# Report of the Directors

31 December 2013

## 4 Directors' Contractual Benefits

Since the end of the previous financial year, no director of the Company has received or become entitled to receive a benefit which is required to be disclosed under section 201(8) of the Singapore Companies Act, Cap. 50, by reason of a contract made by the Company or a related corporation with the director or with a firm in which he is a member, or with a Company in which he has a substantial financial interest, except as disclosed in the notes to the financial statements.

## 5 Options to Take Up Unissued Shares

During the financial year, no option to take up unissued shares in the Company or any corporation in the Group was granted.

## 6 Options Exercised

During the financial year, there were no shares of the Company or any corporation in the Group issued by virtue of the exercise of options to take up unissued shares.

## 7 Unissued Shares Under Option

At the end of the financial year, there were no unissued shares of the Company or any corporation in the Group under option.

## 8 Audit Committee

The Audit Committee ("AC") comprises all independent directors. The members of the AC at the date of this report are as follows:

Mr Neo Ban Chuan (Chairman)  
Mr Chay Yiowmin  
Mr Oh Kean Shen

The AC carried out its functions in accordance with section 201B (5) of the Singapore Companies Act, Cap. 50. Amongst others, the AC performed the following functions:

- Reviewed the external audit plan of the independent external auditors;
- Reviewed with the independent external auditors their report on the financial statements and the assistance given by the Company's officers to them;
- Met with the external auditors, other committees, and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the AC;
- Reviewed with the internal auditors their evaluation of the Company's internal accounting control, the scope and results of the internal audit procedures;

## 8 Audit Committee (cont'd)

- Reviewed the financial statements of the Group and the Company prior to their submission to the directors of the Company for adoption;
- Reviewed legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programmes and any reports received from regulators;
- Reviewed the interested person transactions (as defined in Chapter 9 of the Listing Manual of SGX); and
- Recommended to the board of directors that the independent external auditors, Moore Stephens LLP, be nominated for re-appointment, approved the compensation of the external auditors, and reviewed the scope and results of the audit.

Other functions performed by the AC are described in the report on corporate governance included in the Company's annual report.

## 9 Independent Auditors

The auditors, Moore Stephens LLP, Public Accountants and Chartered Accountants, have expressed their willingness to accept re-appointment.

On behalf of the Board of Directors,

.....  
LUONG ANDY

.....  
LOH MENG CHONG, STANLEY

Singapore  
18 March 2014

# Statement by Directors

31 December 2013

In the opinion of the directors,

- (a) the consolidated financial statements of the Group and the balance sheet of the Company as set out on pages 35 to 90 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2013 and of the results, changes in equity and cash flows of the Group for the year then ended;
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Board of Directors,

.....  
LUONG ANDY

.....  
LOH MENG CHONG, STANLEY

Singapore  
18 March 2014

We have audited the accompanying consolidated financial statements of UMS Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") as set on pages 35 to 90, which comprise the balance sheets of the Group and of the Company as at 31 December 2013, and the consolidated income statement and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information.

## ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

## ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## ***Opinion***

In our opinion, the consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2013, and the results, changes in equity and cash flows of the Group for the year ended on that date.



# Independent Auditors'

Report to the Members of UMS Holdings Limited  
(Incorporated in Singapore)

## *Report on Other Legal and Regulatory Requirements*

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors, have been properly kept in accordance with the provisions of the Act.

### **Moore Stephens LLP**

Public Accountants and  
Chartered Accountants

Singapore  
18 March 2014

# Consolidated Income Statement

For the financial year ended 31 December 2013

	Note	Group	
		2013 S\$'000	2012 S\$'000
Revenue	5	<b>120,496</b>	113,212
Changes in inventories		<b>10,193</b>	(11,175)
Raw material purchases and subcontractor charges		<b>(65,744)</b>	(46,193)
Employee benefits expense	6	<b>(13,074)</b>	(11,561)
Depreciation expense	18, 19	<b>(7,875)</b>	(10,593)
Other expenses	7	<b>(12,025)</b>	(10,901)
Other credits/(charges)	8	<b>657</b>	(3,908)
Finance income	9	<b>150</b>	71
Finance expense	10	<b>(66)</b>	(267)
<b>Profit before income tax</b>		<b>32,712</b>	18,685
Income tax	11	<b>(3,832)</b>	(1,687)
<b>Net profit for the year attributable to the owners of the Company</b>		<b>28,880</b>	16,998
<b>Earnings per share</b>			
- Basic	12	<b>8.40 cents</b>	4.94 cents
- Diluted	12	<b>8.40 cents</b>	4.94 cents

The accompanying notes form an integral part of these financial statements.

# Consolidated Statement of Comprehensive Income

For the financial year ended 31 December 2013

	Group	
	2013 S\$'000	2012 S\$'000
<b>Net profit for the year</b>	<b>28,880</b>	16,998
<b>Other comprehensive loss, net of income tax:</b>		
<i>Items that may be classified subsequently to profit or loss:</i>		
Exchange differences on translation of foreign operations	<b>(1,074)</b>	(1,290)
<b>Total comprehensive income for the year attributable to the owners of the Company</b>	<b>27,806</b>	15,708

The accompanying notes form an integral part of these financial statements.

# Balance Sheets

As at 31 December 2013

	Note	Group		Company	
		2013 S\$'000	2012 S\$'000	2013 S\$'000	2012 S\$'000
<b>ASSETS</b>					
<b>Current Assets</b>					
Cash and bank balances	13	29,236	32,532	621	658
Trade receivables and other current assets	14	21,383	13,274	5,843	2,026
Financial assets, available-for-sale	15	–	4,276	–	–
Inventories	16	37,193	27,000	–	–
<b>Total Current Assets</b>		<b>87,812</b>	77,082	<b>6,464</b>	2,684
<b>Non-Current Assets</b>					
Investments in subsidiaries	17	–	–	192,415	192,415
Property, plant and equipment	18	43,419	50,230	–	–
Investment property	19	2,848	3,068	–	–
Goodwill	20	81,683	81,683	–	–
<b>Total Non-Current Assets</b>		<b>127,950</b>	134,981	<b>192,415</b>	192,415
<b>Total Assets</b>		<b>215,762</b>	212,063	<b>198,879</b>	195,099
<b>LIABILITIES AND EQUITY</b>					
<b>Current Liabilities</b>					
Bank borrowings	21	–	17,100	–	–
Trade and other payables	22	18,906	10,341	3,206	4,763
Finance lease obligation	23	–	138	–	–
Income tax payable		3,617	1,221	55	22
<b>Total Current Liabilities</b>		<b>22,523</b>	28,800	<b>3,261</b>	4,785
<b>Non-Current Liabilities</b>					
Deferred tax liabilities	11	1,644	2,186	12	10
Long-term provision	24	464	564	–	–
<b>Total Non-Current Liabilities</b>		<b>2,108</b>	2,750	<b>12</b>	10
<b>Total Liabilities</b>		<b>24,631</b>	31,550	<b>3,273</b>	4,795
<b>Capital and Reserves</b>					
Share capital	25	136,623	136,623	136,623	136,623
Reserves	26	(3,907)	(2,833)	–	85
Retained earnings		58,415	46,723	58,983	53,596
<b>Total Equity</b>		<b>191,131</b>	180,513	<b>195,606</b>	190,304
<b>Total Liabilities and Equity</b>		<b>215,762</b>	212,063	<b>198,879</b>	195,099

The accompanying notes form an integral part of these financial statements.

# Consolidated Statement of Changes in Equity

For the financial year ended 31 December 2013

	Note	Share Capital S\$'000	Foreign Exchange Translation Reserve S\$'000	Retained Earnings S\$'000	Total S\$'000
<b>Group</b>					
<b>2013</b>					
Balance at 1 January 2013		<b>136,623</b>	<b>(2,833)</b>	<b>46,723</b>	<b>180,513</b>
Net profit for the year		-	-	<b>28,880</b>	<b>28,880</b>
Other comprehensive loss for the year - Exchange differences on translation of foreign operations		-	<b>(1,074)</b>	-	<b>(1,074)</b>
Total comprehensive income for the year		-	<b>(1,074)</b>	<b>28,880</b>	<b>27,806</b>
Dividends	27	-	-	<b>(17,188)</b>	<b>(17,188)</b>
Balance at 31 December 2013		<b>136,623</b>	<b>(3,907)</b>	<b>58,415</b>	<b>191,131</b>
<b>2012</b>					
Balance at 1 January 2012		136,623	(1,543)	50,350	185,430
Net profit for the year		-	-	16,998	16,998
Other comprehensive loss for the year - Exchange differences on translation of foreign operations		-	(1,290)	-	(1,290)
Total comprehensive income for the year		-	(1,290)	16,998	15,708
Dividends	27	-	-	(20,625)	(20,625)
Balance at 31 December 2012		136,623	(2,833)	46,723	180,513

The accompanying notes form an integral part of these financial statements.

# Consolidated Statement of Cash Flows

For the financial year ended 31 December 2013

	Note	Group	
		2013 S\$'000	2012 S\$'000
<b>Cash Flows from Operating Activities</b>			
Profit before income tax		32,712	18,685
Adjustments for:			
Depreciation expense		7,875	10,593
Property, plant and equipment written off		9	7
Unwinding discount on long-term provision		(100)	–
Gain on disposal of property, plant and equipment		(128)	(6)
Allowance for doubtful trade debts		–	137
Bad debts written off – trade		–	61
Allowance for inventories obsolescence		909	2,847
Write back of allowance for inventories obsolescence		–	(688)
Inventories written off		–	279
Interest income		(50)	(71)
Interest expense		66	267
Unrealised foreign exchange (gain)/loss		(997)	1,492
Operating cash flows before working capital changes		40,296	33,603
Changes in working capital:			
Trade receivables and other current assets		(7,795)	1,795
Inventories		(11,096)	7,314
Trade and other payables		8,629	(6,836)
<b>Cash generated from operations</b>		<b>30,034</b>	<b>35,876</b>
Income tax paid		(2,216)	(4,827)
<b>Net cash generated from operating activities</b>		<b>27,818</b>	<b>31,049</b>
<b>Cash Flows from Investing Activities</b>			
Proceeds from disposal of property, plant and equipment		128	9
Purchase of property, plant and equipment		(1,994)	(1,747)
Proceeds on sale of financial assets, available-for-sale		4,276	–
Net cash outflow on acquisition of subsidiaries	(B)	–	(27,061)
Interest received		50	71
<b>Net cash generated from/(used in) investing activities</b>		<b>2,460</b>	<b>(28,728)</b>
<b>Cash Flows from Financing Activities</b>			
Proceeds from bank borrowings		8,000	30,155
Repayment of bank borrowings		(25,100)	(13,055)
Dividends paid		(17,188)	(20,625)
Repayment of finance lease obligation		(138)	(2,527)
Increase in fixed deposit - restricted		2	22
Interest paid		(66)	(267)
<b>Net cash used in financing activities</b>		<b>(34,490)</b>	<b>(6,297)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(4,212)</b>	<b>(3,976)</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>32,276</b>	<b>37,669</b>
Net effect of exchange rate changes on the balances of cash and cash equivalents held in foreign currencies		926	(1,417)
<b>Cash and cash equivalents at the end of the year</b>	(A)	<b>28,990</b>	<b>32,276</b>

The accompanying notes form an integral part of these financial statements.



# Consolidated Statement of Cash Flows

For the financial year ended 31 December 2013

## A. Cash and Cash Equivalents

For the purpose of presenting the consolidated statement of cash flow, the consolidated cash and cash equivalents comprise the following:

	<b>2013</b>	<b>Group</b>	<b>2012</b>
	<b>S\$'000</b>		<b>S\$'000</b>
Cash and bank balances (Note 13)	<b>29,236</b>		32,532
Less: Fixed deposit - restricted in use (Note 13)	<b>(246)</b>		(256)
Cash and cash equivalents per consolidated statement of cash flows	<b>28,990</b>		32,276

## B. Acquisition of Subsidiaries

On 14 and 17 February 2012, the Group acquired equity interests of 100% in Integrated Manufacturing Technologies Inc ("IMT-USA") and Integrated Manufacturing Technologies Pte Ltd ("IMT-S") for a purchase consideration of S\$8,196,626 and S\$19,803,374 respectively. The effect of the acquisitions was summarised as follows:

	<b>2012</b>
	<b>S\$'000</b>
	<b>Identifiable net assets</b>
Cash and cash equivalents	939
Trade receivables and other current assets	4,099
Inventories	3,676
Property, plant and equipment	369
Trade and other payables	(2,031)
Deferred tax liabilities	(33)
Total identifiable net assets	7,019
Goodwill arising from acquisition	20,981
Cash consideration paid	28,000
Less: Cash and cash equivalents of subsidiaries acquired	(939)
Net cash outflow on acquisition of subsidiaries	27,061

From the date of acquisitions, IMT-USA and IMT-S contributed total revenue of approximately S\$11,658,000 and profit for the year of approximately S\$6,225,000 to the Group's result. If the acquisitions had occurred on 1 January 2012, the contributed revenue would have been S\$13,417,000 and the profit for the previous year ended 31 December 2012 would have been S\$6,011,000.

The accompanying notes form an integral part of these financial statements.

# Notes to the Financial Statements

31 December 2013

These notes form an integral part of and should be read in conjunction with the accompanying financial statements:

## 1 General

UMS Holdings Limited (the "Company") is a public limited company incorporated and domiciled in Singapore and is listed on the Mainboard of the Singapore Exchange Securities Trading Limited ("SGX-ST"). The controlling shareholder of the Company is Mr Luong Andy.

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are disclosed in Note 17.

The registered office address and principal place of business of the Company is at 23 Changi North Crescent, Singapore 499616.

The financial statements for the financial year ended 31 December 2013 were approved and authorised for issue by the board of directors in accordance with a resolution of the directors on the date of the Statement by Directors.

## 2 Basis of Preparation

The financial statements have been prepared in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards ("FRS").

The financial statements, which are expressed in Singapore Dollar ("S\$"), are rounded to the nearest thousand dollar (S\$'000), except as otherwise indicated. The financial statements have been prepared on an historical cost basis, except as disclosed in the summary of accounting policies set out in Note 3.

### Adoption of New/Revised FRS

On 1 January 2013, the Group and the Company adopted the following new/amended standards that are mandatory for annual financial periods beginning on or after 1 January 2013:

		<b>Effective for accounting periods beginning on or after</b>
FRS 1 (Amendment)	<i>Presentation of Items of Other Comprehensive Income</i>	1 July 2012
FRS 32 (Amendment)	<i>Offsetting Financial Assets and Financial Liabilities</i>	1 January 2014
FRS 107 (Amendment)	<i>Disclosures – Offsetting Financial Assets and Financial Liabilities</i>	1 January 2013
FRS 113	<i>Fair value measurement</i>	1 January 2013

# Notes to the Financial Statements

31 December 2013

## 2 Basis of Preparation (cont'd)

### Adoption of New/Revised FRS (cont'd)

#### FRS 1 (Amendment) *Presentation of Items of Other Comprehensive Income*

The amendments to FRS 1 changes the grouping of items presented in other comprehensive income ("OCI"). Items that could be reclassified to profit or loss at a future point in time are presented separately from items which will never be reclassified. As the amendments only affect the presentations of items that are already recognised in OCI, there is no impact on the financial performance of the Group or financial positions of the Group and the Company on initial application.

#### FRS 32 (Amendment) *Offsetting Financial Assets and Financial Liabilities*

Amendments to FRS 32 clarify that an entity must currently have a legally enforceable right of set-off if that right of set-off is not contingent on a future event and legally enforceable in all of the following circumstances: (i) the normal course of business; (ii) the event of default; and (iii) the event of insolvency or bankruptcy of the entity and all of the counterparties. An entity shall apply those amendments retrospectively. The early adoption of this standard has no impact on the financial performance or financial positions of the Group and the Company.

#### FRS 107 (Amendment) *Disclosures – Offsetting Financial Assets and Financial Liabilities*

These amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with FRS 32 Financial Instruments: Presentation. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with FRS 32. These amendments have no impact on the Group and Company's financial position or performance.

#### FRS 113 *Fair value measurement*

FRS 113 provides guidance on how to measure fair values including those for both financial and non-financial items and introduces significantly enhanced disclosures about fair values. It does not address or change the requirements on when fair values should be used. When measuring fair value, an entity is required to use valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. It establishes a fair value hierarchy for doing this. The application of FRS 113 has not materially impacted the fair value measurements carried out by the Group.

## 2 Basis of Preparation (cont'd)

### New/Revised FRS which are not yet effective

At the date of these financial statements, the following new or revised standards have been issued and are relevant to the Group, but not yet effective:

		<b>Effective for accounting periods beginning on or after</b>
FRS 27 (Revised)	<i>Separate Financial Statements</i>	1 January 2014
FRS 110	<i>Consolidated Financial Statements</i>	1 January 2014
FRS 112	<i>Disclosure of Interest in Other Entities</i>	1 January 2014

#### FRS 27 (Revised) *Separate Financial Statements*

FRS 27 (Revised) will now solely address separate financial statements, the requirements for which are substantially unchanged and will not have any impact on the financial performance or the financial position of the Group on initial application.

#### FRS 110 *Consolidated Financial Statements*

FRS 110 supersedes FRS 27 Consolidated and Separate Financial Statements and INT FRS 12 Consolidation – Special Purpose Entities. It changes the definition of control and applies it to all investees to determine the scope of consolidation. FRS 110 requirements will apply to all types of potential subsidiary. FRS 110 requires an investor to reassess the decision whether to consolidate an investee when events indicate that there may be a change to one of the three elements of control, i.e. power, variable returns and the ability to use power to affect returns. The Group has reassessed of which entities the Group controls and expected no change.

#### FRS 112 *Disclosure of Interests in Other Entities*

FRS 112 combines the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities within a comprehensive disclosure standard. FRS 112 specifies minimum disclosures that an entity must provide. It requires for an entity to provide summarised financial information about the assets, liabilities, profit or loss and cash flows of each subsidiary that has non-controlling interests that are material to the reporting entity and to disclose the nature of its interests in unconsolidated structured entities and the nature of the risks it is exposed to as a result. As this is a disclosure standard, it will not have any impact on the financial performance or the financial position of the Group and the Company on initial application.

# Notes to the Financial Statements

31 December 2013

## 3 Summary of Significant Accounting Policies

### (a) Basis of Consolidation

#### Consolidation

Subsidiaries are entities (including special purpose entities) over which the Group has power to govern the financial and operating policies so as to obtain benefits from its activities, generally accompanied by a shareholding giving rise to a majority of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date on which control ceases.

In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated but are considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

#### Acquisition of businesses

The acquisition method of accounting is used to account for business combinations by the Group.

The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange. The cost of an acquisition also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity in the consolidated statement of financial position, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss in the consolidated statement of comprehensive income.

Acquisition-related costs are expensed as incurred.

#### Disposals of subsidiaries or businesses

When a change in the Company's ownership interest in a subsidiary results in a loss of control over the subsidiary, the assets and liabilities of the subsidiary including any goodwill are derecognised. Amounts recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained earnings if required by a specific standard.

Any retained interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained investment at the date when control is lost and its fair value is recognised in profit or loss.

## 3 Summary of Significant Accounting Policies (cont'd)

### (b) Goodwill on Consolidation

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired.

For the purpose of impairment testing, goodwill acquired is allocated to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination. The cash-generating unit ("CGU") to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the CGU may be impaired, by comparing the carrying amount of the CGU, including the allocated goodwill, with the recoverable amount of the CGU. Where the recoverable amount of the CGU is less than the carrying amount, an impairment loss is recognised in profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent years.

When goodwill forms part of a CGU and part of the operation within that CGU is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the CGU retained.

### (c) Investments in Subsidiaries

In the Company's separate financial statements, investments in subsidiaries are stated at cost less any impairment losses. An assessment of investments in subsidiaries is performed when there is an indication that the investments may have been impaired.

On disposal of investments in subsidiaries, the difference between the net disposal proceeds and the carrying amount of the investments is recognised in profit or loss.

### (d) Property, Plant and Equipment

#### Measurement

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses.

Capital work-in-progress is stated at cost less any accumulated impairment losses, if any, and cost incurred during the period of construction. No depreciation is provided on capital work-in-progress and upon completion of the construction, the costs will be transferred to property, plant and equipment.



# Notes to the Financial Statements

31 December 2013

## 3 Summary of Significant Accounting Policies (cont'd)

### (d) Property, Plant and Equipment (cont'd)

#### Depreciation

Depreciation is calculated on a straight-line method to write-off the cost of the property, plant and equipment over their estimated useful lives. The estimated useful lives have been taken as follows:

Freehold buildings	-	50 years
Leasehold properties	-	30 to 60 years or the term of the lease, whichever is shorter
Plant and equipment	-	3 to 10 years

Freehold land has an unlimited useful life and therefore is not depreciated.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant leases.

The carrying amounts of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable.

The estimated residual values, useful lives and depreciation method are reviewed annually, with the effect of any changes in estimate accounted for on a prospective basis. This ensures that the method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the item of property, plant and equipment.

#### Subsequent expenditure

Subsequent expenditure relating to property, plant and equipment that has already been recognised, is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the standard performance of the asset before the expenditure was made, will flow to the Group and the cost can be reliably measured. Other subsequent expenditure is recognised as an expense during the year in which it is incurred.

#### Disposal

Property, plant and equipment are derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the property, plant and equipment is included in profit or loss in the year the property, plant and equipment is derecognised.

### (e) Investment Property

Investment property comprises significant portions of leasehold property that is held for long-term rental yields and/or for capital appreciation.

Investment property is measured initially at cost, including transaction costs, and subsequently carried at cost less accumulated depreciation and any impairment loss. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day-to-day servicing of an investment property.

## 3 Summary of Significant Accounting Policies (cont'd)

### (e) Investment Property (cont'd)

Depreciation is calculated on a straight-line basis over a period of 30 years or the term of the lease, whichever is shorter.

Investment property is derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognised in profit or loss in the year of retirement or disposal.

### (f) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and deposits with financial institutions that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above less restricted deposit balances that are pledged to secure banking facilities.

### (g) Inventories

Inventories are measured at the lower of cost and net realisable value. Cost is determined on the weighted average method. The cost of finished goods and work-in-progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity) but excludes borrowing costs. Net realisable value represents the estimated selling price in the ordinary course of business less all estimated costs of completion and costs necessary to make the sale.

### (h) Impairment of Non-financial Assets Excluding Goodwill

Non-financial assets excluding goodwill are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If such indication exists, the recoverable amount (i.e. the higher of the fair value less cost to sell and value in use) of the asset is estimated to determine the amount of impairment loss.

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash-generating unit ("CGU") to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. The impairment loss is recognised in profit or loss unless the asset is carried at revalued amount, in which case, such impairment loss is treated as a revaluation decrease.

An impairment loss for an asset is reversed if, and only if, there has been a change in the estimates used to determine the assets' recoverable amount since the last impairment loss was recognised. The carrying amount of an asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset is recognised in profit or loss, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase. However, to the extent that an impairment loss on the same revalued asset was previously recognised in profit or loss, a reversal of that impairment is also recognised in profit or loss.

# Notes to the Financial Statements

31 December 2013

## 3 Summary of Significant Accounting Policies (cont'd)

### (i) Offsetting Financial Instruments

Financial assets and financial liabilities are offset and net amount reported in the balance sheets if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

### (j) Financial Assets

#### Classification

The Group classifies its financial assets in the following categories: loans and receivables and available-for-sale. The classification depends on the nature of the asset and the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition.

- *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those expected to be realised later than twelve months after the balance sheet date, which are classified as non-current assets. Loans and receivables are presented as "trade receivables and other current assets", and "cash and bank balances" on the balance sheet.

- *Financial assets, available-for-sale*

Financial assets, available-for-sale are non-derivatives that are either designated in this category or not classified in any of the other categories. They are presented as non-current assets unless management intends to dispose of the assets within 12 months after the balance sheet date.

#### Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date - the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. On disposal of a financial asset, the difference between the net sale proceeds and the carrying amount is recognised in profit or loss. Any amount in the fair value reserve relating to that asset is reclassified to profit or loss.

#### Initial measurement

Financial assets are initially recognised at fair value plus transaction costs.

#### Subsequent measurement

Financial assets, available-for-sale, are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

## 3 Summary of Significant Accounting Policies (cont'd)

### (j) Financial Assets (cont'd)

#### Subsequent measurement (cont'd)

Interest and dividend income on financial assets, available-for-sale, are recognised separately in income. Changes in the fair values of available-for-sale debt securities (i.e. monetary items) denominated in foreign currencies are analysed into currency translation differences on the amortised cost of the securities and other changes; the currency translation differences are recognised in profit or loss and the other changes are recognised in the fair value reserve within equity.

Changes in the fair value of available-for-sale equity securities (i.e. non-monetary items) are recognised in the fair value reserve within equity, together with the related currency translation differences.

#### Impairment

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognises an allowance for impairment when such evidence exists.

- *Loans and receivables*

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy, and default or significant delay in payments are objective evidence that these financial assets are impaired.

The carrying amount of these assets is reduced through the use of an impairment allowance account which is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in profit or loss.

The allowance for impairment loss account is reduced through profit or loss in a subsequent period when the amount of impairment loss decreases and the related decrease can be objectively measured. The carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost had no impairment been recognised in prior periods.

- *Financial assets, available-for-sale*

In addition to the objective evidence of impairment described above, a significant or prolonged decline in the fair value of an equity security below its cost is considered as an indicator that the available-for-sale financial asset is impaired.

If any evidence of impairment exists, the cumulative loss that was recognised in the fair value reserve is reclassified to profit or loss. The cumulative loss is measured as the difference between the acquisition cost (net of any principal repayments and amortisation) and the current fair value, less any impairment loss previously recognised as an expense. The impairment losses recognised as an expense on equity securities are not reversed through profit or loss.

# Notes to the Financial Statements

31 December 2013

## 3 Summary of Significant Accounting Policies (cont'd)

### (k) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs and are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Borrowings are presented as current liabilities unless the Group has an unconditional rights to defer settlement for at least 12 months after the balance sheet date.

### (l) Trade and Other Payables

Trade and other payables are initially recognised at fair value, and subsequently carried at amortised cost using the effective interest method.

### (m) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

### (n) Financial Guarantees

The Company has issued corporate guarantees to banks for borrowings of its subsidiaries. These guarantees are financial guarantees as they require the Company to reimburse the banks if the subsidiaries fail to make principal or interest payments when due in accordance with the terms of their borrowings.

Financial guarantees are initially recognised at their fair values plus transaction costs in the Company's balance sheet. Financial guarantees are subsequently amortised to profit or loss over the period of the subsidiaries' borrowings, unless it is probable that the Company will reimburse the bank for an amount higher than the unamortised amount. In this case, the financial guarantees shall be carried at the expected amount payable to the bank in the Company's balance sheet.

Intra-group transactions with regards to the financial guarantees are eliminated on consolidation.

## 3 Summary of Significant Accounting Policies (cont'd)

### (o) Finance Leases

Leases where the Group assumes substantially all risks and rewards incidental to ownership of the leased assets are classified as finance leases.

The leased assets and the corresponding lease liabilities (net of finance charges) under finance leases are recognised on the balance sheet as property, plant and equipment and borrowings respectively, at the inception of the leases based on the lower of the fair value of the leased assets and the present value of the minimum lease payments.

Each lease payment is apportioned between the finance expense and the reduction of the outstanding lease liability. The finance expense is recognised in profit or loss on a basis that reflects a constant periodic rate of interest on the finance lease liability.

### (p) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period using the effective interest method in which they are incurred.

### (q) Employee Benefits

Employee benefits are recognised as an expense, unless the cost qualifies to be capitalised as an asset.

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as the Central Provident Fund/Employees Provident Fund on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid.

Employee entitlements to annual leave are recognised as a liability when they accrue to the employees. The estimated liability for leave is recognised for services rendered by employees up to the balance sheet date.

### (r) Share Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

### (s) Dividends to Company's Shareholders

Dividends to the Company's shareholders are recognised when the dividends are approved for payment.

# Notes to the Financial Statements

31 December 2013

## 3 Summary of Significant Accounting Policies (cont'd)

### (t) Revenue Recognition

Revenue for the Group comprises the fair value of the consideration received or receivable for the sale of goods and rendering of services in the ordinary course of business, goods and services tax, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue and related cost can be reliably measured, it is probable that the collectability of the related receivables is reasonably assured and when the specific criteria for each of the Group's activities are met as follows:

#### (i) *Sale of goods*

Revenue on the sale of goods is recognised when the significant risks and rewards of ownership of the goods have been transferred to the customer. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

#### (ii) *Rental income*

Rental income from operating leases (net of any incentives given to the lessees) is recognised on a straight line basis over the lease term as set out in specific rental agreements.

#### (iii) *Interest income*

Interest income is recognised on a time proportion basis using the effective interest method.

### (u) Operating Leases

#### As lessor

Leases of investment property where the Group retains substantially all risks and rewards incidental to ownership are classified as operating leases. Rental income from operating leases (net of any incentives given to the lessees) is recognised in profit or loss on a straight-line basis over the lease term.

Contingent rents are recognised as income in profit or loss when earned.

#### As lessee

Leases of factories premises where substantially all risks and rewards incidental to ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are recognised in profit or loss on a straight-line basis over the period of the lease.

Contingent rents are recognised as an expense in the period in which they are incurred.



## 3 Summary of Significant Accounting Policies (cont'd)

### (v) Income Tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

#### Current income tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

#### Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

# Notes to the Financial Statements

31 December 2013

## 3 Summary of Significant Accounting Policies (cont'd)

### (v) Income Tax (cont'd)

#### Deferred tax (cont'd)

The Group recognises a previously unrecognised deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Tax benefits acquired as part of a business combination, but not satisfy the criteria for separate recognition when a business combination is initially accounted for but is subsequently realised, the acquirer shall recognise the resulting deferred tax income in profit or loss or a reduction to goodwill (as long as it does not exceed goodwill) if it incurred during the measurement period.

#### Current and deferred tax for the year

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items that are recognised outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in the accounting for the business combination.

### (w) Foreign Currencies

#### Functional and presentation currency

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each Group entity are expressed in Singapore Dollar ("S\$"), which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

#### Transactions and balances

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions.

At the balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

Currency translation differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet date are recognised in profit or loss, unless they arise from borrowings in foreign currencies and other currency instruments designated and qualifying as net investment hedges and net investment in foreign operations.

## 3 Summary of Significant Accounting Policies (cont'd)

### (w) Foreign Currencies (cont'd)

#### Transactions and balances (cont'd)

Those currency translation differences are recognised in the foreign currency translation reserve in the consolidated financial statements and transferred to profit or loss as part of the gain or loss on disposal of the foreign operation.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

#### Translation of Group entities' financial statements

The results and financial position of each group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities are translated at the closing exchange rate at the balance sheet date;
- Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of transactions); and
- All resulting exchange differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified to profit or loss.

In the case of a partial disposal (i.e. no loss of control) of a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate at the balance sheet date.

### (x) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the executive committee whose members are responsible for allocating resources and assessing performance of the operating segments.

# Notes to the Financial Statements

31 December 2013

## 4 Critical Accounting Estimates and Judgements

In the application of the Group's accounting policies, which are described in Note 3, management are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

### Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

#### (i) Useful Lives of Property, Plant and Equipment and Investment Property

The Group determines the estimated useful lives and related depreciation charges for its property, plant and equipment and investment property. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment and investment property of a similar nature and functions. It could change significantly as a result of technical innovations and competitor actions. Management will increase the depreciation charge where the useful lives are less than previously estimated, or it will write-off or write-down technically obsolete assets that have been abandoned or sold.

There is no change in the estimated useful lives of property, plant and equipment and investment property during the financial year. The carrying amounts of property, plant and equipment (excluding capital work-in-progress) and investment property of the Group as at 31 December 2013 amounted to S\$39,110,000 (2012: S\$45,860,000) and S\$2,848,000 (2012: S\$3,068,000) respectively. A 5% difference in the expected useful lives of these assets from management's estimates would result in an approximate 1% (2012: 3%) change in the Group's net profit for the year. Further details are given in Notes 18 and 19.

#### (ii) Impairment of Goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating unit to which goodwill has been allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of the Group's goodwill as at 31 December 2013 was S\$81,683,000 (2012: S\$81,683,000). Further details are given in Note 20.

#### (iii) Provision for Dismantling and Restoration

The Group has recognised a provision for dismantling and removing the items and restoring the existing factories to its original condition. In determining the amount of the provision, assumption and estimates are made in relation to the discount rate, expected cost to dismantle and remove all plant from the factory site cost and expected timing of those costs. The carrying amount of the provision as at 31 December 2013 was S\$464,000 (2012: S\$564,000). If the estimated pre-tax discount rate used in the calculation had been 1% higher than the management estimates, the carrying amount of the provision would have been S\$5,000 (2012: S\$6,000) higher.

## 4 Critical Accounting Estimates and Judgements (cont'd)

### *Critical judgements in applying accounting policies*

In the process of applying the Group's accounting policies, the application of judgements that are expected to have a significant effect on the amounts recognised in the financial statements are discussed below.

#### (i) Impairment of Trade and Other Receivables

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset is impaired. Allowances are applied where events or changes in circumstances indicate that the balances may not be collectible. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency, current economic trends and default or significant delay in payments. Where the expectation is different from the original estimate, such difference will impact the total carrying amounts of trade and other receivables of the Group and the Company as at 31 December 2013 amounted to S\$19,903,000 (2012: S\$12,265,000) and S\$5,829,000 (2012: S\$2,015,000) (Note 14) respectively.

During the financial year, there were no allowance for impairment loss recognised by the Group (2012: S\$137,000) (Note 8). Certain trade receivables which were assessed to be non-recoverable amounted to S\$61,000 (Note 8) were written off during the previous financial year. No such amount was recognised during the current financial year.

The Group's allowance for impairment of trade and other receivables as at 31 December 2013 amounted to S\$126,000 (2012: S\$156,000) (Note 14).

#### (ii) Allowance for Inventories Obsolescence

Reviews are made periodically by management on inventories for excess inventories, obsolescence and decline in net realisable value below cost. Allowances are recorded against the inventories for any such declines based on historical obsolescence and slow-moving experiences.

During the financial year, the Group recognised a net allowance for inventory obsolescence of S\$909,000 (2012: S\$2,159,000) (Note 8). Certain inventories which became obsolete and unusable amounted to S\$279,000 (Note 8) were written off during the previous financial year. There was no such amount recognised during the current financial year. The carrying amount of the Group's inventories as at 31 December 2013 was S\$37,193,000 (2012: S\$27,000,000) (Note 16).

## 5 Revenue

	<b>Group</b>	
	<b>2013</b>	2012
	<b>S\$'000</b>	S\$'000
Sale of goods	<b>119,036</b>	111,803
Rental income	<b>1,460</b>	1,409
	<b>120,496</b>	113,212

# Notes to the Financial Statements

31 December 2013

## 6 Employee Benefits Expense

	Group	
	2013	2012
	S\$'000	S\$'000
Salaries and wages	<b>(9,259)</b>	(8,617)
Expenses on executive bonus plan to key management personnel	<b>(2,390)</b>	(1,496)
Contributions to defined contribution plans	<b>(1,425)</b>	(1,448)
	<b>(13,074)</b>	(11,561)

## 7 Other Expenses

	Group	
	2013	2012
	S\$'000	S\$'000
The major components include the following:		
Utilities	<b>(3,900)</b>	(4,347)
Rental expense of premises - operating leases	<b>(1,427)</b>	(1,335)
Upkeep of machinery	<b>(1,981)</b>	(1,438)
Freight charges	<b>(731)</b>	(551)
Other rental expenses	<b>(170)</b>	(468)
Legal and professional fees	<b>(1,139)</b>	(408)
Auditor's remuneration		
- Company's auditors	<b>(176)</b>	(202)
- Other auditors	<b>(8)</b>	(25)
Upkeep of properties	<b>(277)</b>	(158)
Insurance	<b>(466)</b>	(225)
Property tax	<b>(309)</b>	(394)
Others	<b>(1,441)</b>	(1,350)
	<b>(12,025)</b>	(10,901)

There were no non-audit fees paid/payable to the Company's auditors during the financial years ended 31 December 2013 and 2012.

# Notes to the Financial Statements

31 December 2013

## 8 Other Credits/(Charges)

	Group	
	2013 S\$'000	2012 S\$'000
Property, plant and equipment written off	(9)	(7)
Allowance for doubtful trade debts (Note 14)	-	(137)
Bad debts written off - trade	-	(61)
Allowance for inventories obsolescence	(909)	(2,847)
Write back of allowance for inventories obsolescence (Note 16)	-	688
Foreign exchange gains/(losses) - net	1,323	(1,341)
Gain on disposal of property, plant and equipment	128	6
Inventories written off	-	(279)
Others	124	70
	<b>657</b>	<b>(3,908)</b>

## 9 Finance Income

	Group	
	2013 S\$'000	2012 S\$'000
Interest income from cash and cash equivalents	50	71
Finance income		
- Unwinding discount on long-term provision (Note 24)	100	-
	<b>150</b>	<b>71</b>

## 10 Finance Expense

	Group	
	2013 S\$'000	2012 S\$'000
Interest expense		
- bank borrowings	(65)	(215)
- finance lease obligation	(1)	(52)
	<b>(66)</b>	<b>(267)</b>

# Notes to the Financial Statements

31 December 2013

## 11 Income Tax

	Group	
	2013	2012
	S\$'000	S\$'000
Current income tax:		
- Current year	<b>4,389</b>	2,127
- Over provision in respect of prior years	<b>(15)</b>	(511)
Deferred taxation		
- Current year	<b>(679)</b>	71
- Under provision in respect of prior years	<b>137</b>	-
	<b>3,832</b>	1,687

A reconciliation of the applicable tax rate to the Group's effective tax rate applicable to profit before income tax for the financial year is as follows:

	Group	
	2013	2012
	S\$'000	S\$'000
Profit before income tax	<b>32,712</b>	18,685
Tax at the applicable tax rate of 17% (2012: 17%)	<b>5,561</b>	3,176
Tax effect of non-deductible items*	<b>333</b>	1,355
Income not subject to taxation*	<b>(375)</b>	(430)
Over provision of income tax in respect of prior years	<b>(15)</b>	(511)
Under provision of deferred tax in respect of prior years	<b>137</b>	-
Tax exemptions	<b>(3,011)</b>	(2,481)
Singapore statutory stepped exemption	<b>(280)</b>	(78)
Effect of different tax rates operating in other jurisdictions	<b>1,481</b>	662
Utilisation of reinvestment allowances	<b>-</b>	(24)
Effect of deferred tax benefit not recognised	<b>1</b>	18
	<b>3,832</b>	1,687

\* Mainly relates to expenses of/income derived by those entities of the Group, whose principal activities are those of investment holding that, do not qualify for deduction/are not taxable as they are capital in nature, in accordance with the relevant tax regulation.

The applicable tax rate used for the reconciliations above is the corporate tax rate of 17% (2012: 17%) payable by corporate entities in Singapore on taxable profits under tax law in that jurisdiction.

The tax exemption relates to a subsidiary in Malaysia which has been granted pioneer status by the Inland Revenue Board of Malaysia for a period of five years with an option to apply for another five-year extension. During this period, all trading income of the subsidiary is exempt for income tax purposes.

The remaining entities of the Group operating in jurisdictions other than the above have either no taxable income or are not material.



# Notes to the Financial Statements

31 December 2013

## 11 Income Tax (cont'd)

The deferred tax assets and liabilities as at the balance sheet date are as follows:

	At beginning of year S\$'000	Acquisition of subsidiaries S\$'000	(Credited)/ Debited to income statement S\$'000	At end of year S\$'000
<b>Group</b>				
<u>2013</u>				
Deferred tax liabilities:				
Excess of net book value of property, plant and equipment	2,411	–	(758)	1,653
Others	33	–	(33)	–
Total deferred tax liabilities	<b>2,444</b>	–	<b>(791)</b>	<b>1,653</b>
Deferred tax assets:				
Provisions	(70)	–	61	(9)
Unutilised tax losses	(188)	–	188	–
Total deferred tax assets	<b>(258)</b>	–	<b>249</b>	<b>(9)</b>
Net deferred tax liabilities	<b>2,186</b>	–	<b>(542)</b>	<b>1,644</b>
<u>2012</u>				
Deferred tax liabilities:				
Excess of net book value of property, plant and equipment	2,817	–	(406)	2,411
Others	32	33	(32)	33
Total deferred tax liabilities	2,849	33	(438)	2,444
Deferred tax assets:				
Provisions	(43)	–	(27)	(70)
Unutilised tax losses	(188)	–	–	(188)
Unutilised capital allowances	(536)	–	536	–
Total deferred tax assets	(767)	–	509	(258)
Net deferred tax liabilities	2,082	33	71	2,186

As at 31 December 2013, certain subsidiaries have unutilised tax losses of approximately S\$71,000 (2012: S\$371,000) available for offset against future taxable income, subject to agreement with the tax authorities on the relevant tax regulations. The tax losses have no expiry date. The deferred tax assets arising from these unutilised tax losses totalling approximately S\$12,000 (2012: S\$11,000) have not been recognised in accordance with the accounting policy in Note 3(v).

# Notes to the Financial Statements

31 December 2013

## 11 Income Tax (cont'd)

In addition, as at 31 December 2013, a subsidiary incorporated in Malaysia has unutilised reinvestment allowances of approximately S\$964,000 (2012: S\$948,000) available for offset against future taxable income, subject to agreement with the tax authorities on the relevant tax regulations. The deferred tax arising from this reinvestment allowances has not been recognised in the financial statements as the Group cannot be certain that there will be taxable profit in the future to utilise this tax benefit.

As at 31 December 2013, no deferred tax liabilities (2012: Nil) has been recognised for taxes that would be payable on the undistributed earnings of the Group's overseas subsidiaries as:

- The Malaysia subsidiaries are wholly owned by the Company. Therefore, the Company is able to control the dividend policy of these subsidiaries, and the timing of the reversal of the temporary differences arising from deferred tax liability. No withholding tax is imposed on dividend from Malaysia subsidiaries due to double tax agreement between Malaysia and Singapore.
- The USA subsidiary is in a tax loss position thus the Group does not foresee any distribution of earnings.

## 12 Earnings Per Share

The earnings per share is calculated by dividing the Group's net profit for the year attributable to the owners of the Company by the weighted number of ordinary shares outstanding in issue during the financial year:

	Group	
	2013	2012
Net profit for the year (S\$'000)	<b>28,880</b>	16,998
Number of ordinary shares:		
Weighted average number of ordinary shares for the purpose of computation of basic and diluted earnings per share	<b>343,754,327</b>	343,754,327
Basic earnings per share (Singapore cents)	<b>8.40</b>	4.94
Diluted earnings per share (Singapore cents)	<b>8.40</b>	4.94

Diluted earnings per share is the same as basic earnings per share as there were no dilutive potential ordinary shares outstanding as at 31 December 2013 and 2012.

# Notes to the Financial Statements

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## 13 Cash and Bank Balances

	Group		Company	
	2013 S\$'000	2012 S\$'000	2013 S\$'000	2012 S\$'000
Cash on hand and in banks (i)	<b>28,990</b>	32,276	<b>621</b>	658
Fixed deposit - restricted (ii)	<b>246</b>	256	-	-
	<b>29,236</b>	32,532	<b>621</b>	658

(i) The rate of interest for the interest earning bank accounts is between Nil and 1.20% (2012: Nil and 0.75%) per annum.

(ii) The fixed deposit is pledged as security for the banking facility granted to a subsidiary (Note 21) and earns an interest rate at 3.30% (2012: 3.2% to 3.3%) per annum.

## 14 Trade Receivables and Other Current Assets

	Group		Company	
	2013 S\$'000	2012 S\$'000	2013 S\$'000	2012 S\$'000
Trade receivables:				
Third parties	<b>18,373</b>	10,304	-	-
Less: Allowance for impairment losses	<b>(126)</b>	(136)	-	-
	<b>18,247</b>	10,168	-	-
Other receivables and deposits:				
Subsidiaries	-	-	<b>5,301</b>	1,623
Third parties	<b>1,179</b>	1,683	<b>78</b>	84
Related party	<b>142</b>	-	<b>142</b>	-
Deposits	<b>335</b>	434	<b>308</b>	308
	<b>1,656</b>	2,117	<b>5,829</b>	2,015
Less: Allowance for impairment losses	-	(20)	-	-
	<b>1,656</b>	2,097	<b>5,829</b>	2,015
Prepayments	<b>1,480</b>	1,009	<b>14</b>	11
Trade receivables and other current assets	<b>21,383</b>	13,274	<b>5,843</b>	2,026

# Notes to the Financial Statements

31 December 2013

## 14 Trade Receivables and Other Current Assets (cont'd)

	Group			
	Trade		Non-trade	
	2013 S\$'000	2012 S\$'000	2013 S\$'000	2012 S\$'000
Movements in allowance for impairment of trade and other receivables are as follows:				
Balance at beginning of the year	136	–	20	20
Allowance during the year	–	137	–	–
Effect of foreign exchange	(10)	(1)	–	–
Bad debts written off	–	–	(20)	–
Balance at end of the year	<b>126</b>	136	<b>–</b>	20

The average credit period generally granted for trade receivables is between 30 to 90 days (2012: 30 to 90 days).

Trade receivables which are impaired at the balance sheet date relate to debtors that are in significant financial difficulties and have defaulted in payments. These trade receivables are not secured by any collateral.

The Group's trade receivables due from third parties include outstanding receivables which amounted to approximately S\$12.0 million (2012: S\$7.5 million) from a key customer which accounted for approximately 84% (2012: 85%) of the Group's total revenue for the financial year. Management have considered these facts and have assessed that the Group's exposure to this key customer would not have an impact on the Group's financial performance and its ability to continue as a going concern in the foreseeable future.

The receivables from subsidiaries and related party, which are generally due on 30 to 60 days' terms, are unsecured, interest-free and repayable in cash.

## 15 Financial Assets, Available-for-sale

	Group	
	2013 S\$'000	2012 S\$'000
Unquoted investments	–	4,276

Unquoted investment represents the fixed deposit component of a foreign exchange-linked United States Dollar Structured Deposit arrangement with a bank amounting to US\$3,500,000. The term of the fixed deposit is 10 years commencing on 9 January 2007. The principal amount is repaid with a bonus payment that yields an estimated return of 6.5% per annum if the Swiss Franc versus United States Dollar exchange rate is equal to or greater than CHF1.348. The deposit matures on 9 January 2017.

During the current financial year, the Group opted for early withdrawal of the structured deposit.

# Notes to the Financial Statements

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## 16 Inventories

	<b>Group</b>	
	<b>2013</b>	2012
	<b>S\$'000</b>	S\$'000
Lower of cost and net realisable values:		
Finished goods and goods for resale	<b>3,668</b>	5,410
Work-in-progress	<b>21,891</b>	14,872
Raw materials	<b>11,634</b>	6,718
	<b>37,193</b>	27,000
Cost of inventories sold recognised as cost of sales in the consolidated income statement	<b>55,551</b>	57,368

In the previous financial year, allowance for inventories obsolescence amounted to S\$688,000 were written back to profit or loss because these inventories were considered to be usable in the production process or saleable to third parties. No such amount was recognised during the current financial year.

## 17 Investments in Subsidiaries

	<b>Company</b>	
	<b>2013</b>	2012
	<b>S\$'000</b>	S\$'000
Unquoted equity shares, at cost	<b>216,213</b>	216,213
Less: Allowance for impairment loss	<b>(23,798)</b>	(23,798)
	<b>192,415</b>	192,415
Movements in the allowance for impairment loss of investments in subsidiaries:		
Balance at beginning of the year	<b>23,798</b>	8,216
Allowance for impairment loss		
- Additions during the year	-	16,000
- Written off during the year	-	(418)
Balance at end of the year	<b>23,798</b>	23,798

In the previous financial year, an allowance for impairment of an investment in a subsidiary was made, amounting to S\$16,000,000, to write down the carrying amount of the investment to its recoverable amount based on the net fair value less cost of disposal of the subsidiary.

The allowance of S\$418,000 was written off due to the subsidiaries being struck off during the previous financial year.

# Notes to the Financial Statements

31 December 2013

## 17 Investments in Subsidiaries (cont'd)

The subsidiaries held by the Company and its subsidiaries as at the balance sheet date are listed below:

Name of subsidiaries, place of business and incorporation	Principal activities	Effective percentage of equity held by Group		Company's cost of investment	
		2013 %	2012 %	2013 S\$'000	2012 S\$'000
<i>Held by the Company</i>					
UMS Systems Pte Ltd (Singapore)	Assembly and integration of equipment and automated assembly lines	<b>100</b>	100	<b>9,561</b>	9,561
UMS International Pte Ltd (Singapore)	Investment holding	<b>100</b>	100	<b>800</b>	800
UMS Pte Ltd (Singapore)	Investment holding and precision machining of medical and wafer fabrication equipment parts manufacturers and providing electroplating and anodising services	<b>100</b>	100	<b>127,081</b>	127,081
UMS Aerospace Pte Ltd (Singapore)	Precision machining of machine parts for oilfield precision component manufacturers and other industries	<b>100</b>	100	<b>20,000</b>	20,000
Integrated Manufacturing Technologies Pte Ltd (Singapore) <sup>1</sup>	Stainless steel gaslines and weldment manufacturing and assembly	<b>100</b>	100	<b>19,803</b>	19,803
Integrated Manufacturing Technologies Inc (United States) <sup>1,2</sup>	Stainless steel gaslines and weldment manufacturing and assembly	<b>100</b>	100	<b>8,196</b>	8,196
Ultimate Machining Solutions (M) Sdn. Bhd. (Malaysia) <sup>3</sup>	Manufacture of precision machining components, assembly and integration of equipment and automated assembly lines	<b>100</b>	100	<b>30,772</b>	30,772
				<b>216,213</b>	216,213

# Notes to the Financial Statements

31 December 2013

## 17 Investments in Subsidiaries (cont'd)

Name of subsidiaries, place of business and incorporation	Principal activities	Effective percentage of equity held by Group	
		2013 %	2012 %
<i>Held through UMS International Pte Ltd</i>			
Ultimate Manufacturing Solutions (M) Sdn. Bhd. (Malaysia) <sup>3</sup>	Manufacture of precision machining components, assembly and integration of equipment and automated assembly lines	<b>100</b>	100
<i>Held through UMS Pte Ltd</i>			
UMS Solutions Pte Ltd (Singapore)	Holder of investment property	<b>100</b>	100

All the above subsidiaries are audited by Moore Stephens LLP, Singapore except the following:

- 1 The subsidiaries were acquired during the previous financial year. For further details, see Note B of the consolidated statements of cash flows.
- 2 Statutory audit is not required in the country of incorporation but audited by Moore Stephens LLP for consolidation purposes.
- 3 Audited by Moore Stephens Associates & Co, Malaysia, a member firm of Moore Stephens International Limited, of which Moore Stephens LLP, Singapore is also a member.

# Notes to the Financial Statements

31 December 2013

## 18 Property, Plant and Equipment

	Freehold land S\$'000	Freehold buildings S\$'000	Capital Work-in- progress S\$'000	Leasehold Property S\$'000	Plant and equipment S\$'000	Total S\$'000
<b>Group</b>						
<u>2013</u>						
Cost:						
At beginning of year	<b>3,441</b>	<b>14,668</b>	<b>4,370</b>	<b>7,082</b>	<b>120,744</b>	<b>150,305</b>
Effect of foreign currency exchange differences	<b>(119)</b>	<b>(502)</b>	<b>(154)</b>	–	<b>(771)</b>	<b>(1,546)</b>
Additions	–	–	<b>93</b>	–	<b>1,901</b>	<b>1,994</b>
Disposals/Write-off	–	–	–	–	<b>(286)</b>	<b>(286)</b>
At end of year	<b>3,322</b>	<b>14,166</b>	<b>4,309</b>	<b>7,082</b>	<b>121,588</b>	<b>150,467</b>
Accumulated depreciation:						
At beginning of year	–	<b>933</b>	–	<b>1,421</b>	<b>97,721</b>	<b>100,075</b>
Effect of foreign currency exchange differences	–	<b>(33)</b>	–	–	<b>(372)</b>	<b>(405)</b>
Depreciation for the year	–	<b>287</b>	–	<b>126</b>	<b>7,242</b>	<b>7,655</b>
Disposals/Write-off	–	–	–	–	<b>(277)</b>	<b>(277)</b>
At end of year	–	<b>1,187</b>	–	<b>1,547</b>	<b>104,314</b>	<b>107,048</b>
Net book value:						
At end of year	<b>3,322</b>	<b>12,979</b>	<b>4,309</b>	<b>5,535</b>	<b>17,274</b>	<b>43,419</b>
<u>2012</u>						
Cost:						
At beginning of year	3,527	15,029	4,042	7,220	119,847	149,665
Effect of foreign currency exchange differences	(86)	(361)	(104)	–	(500)	(1,051)
Additions	–	–	432	–	1,315	1,747
Disposals/Write-off	–	–	–	–	(287)	(287)
Change in provision for reinstatement (Note 24)	–	–	–	(138)	–	(138)
Acquisition of subsidiaries	–	–	–	–	369	369
At end of year	3,441	14,668	4,370	7,082	120,744	150,305
Accumulated depreciation:						
At beginning of year	–	655	–	1,293	88,222	90,170
Effect of foreign currency exchange differences	–	(16)	–	–	(171)	(187)
Depreciation for the year	–	294	–	128	9,947	10,369
Disposals/Write-off	–	–	–	–	(277)	(277)
At end of year	–	933	–	1,421	97,721	100,075
Net book value:						
At end of year	3,441	13,735	4,370	5,661	23,023	50,230

No plant and equipment was held under finance lease arrangements as at 31 December 2013 (2012: S\$506,000).



# Notes to the Financial Statements

31 December 2013

## 19 Investment Property

	Group	
	2013	2012
	S\$'000	S\$'000
Cost:		
At beginning of year	4,877	4,975
Change in provision for reinstatement (Note 24)	–	(98)
At end of year	<b>4,877</b>	4,877
Accumulated depreciation:		
At beginning of year	1,809	1,585
Depreciation for the year	220	224
At end of year	<b>2,029</b>	1,809
Net book value:		
At end of year	<b>2,848</b>	3,068

Investment property relates to the leasehold property held by a subsidiary under an operating lease to earn rental income. Rental income and direct operating expenses related to the investment property amounted to S\$1,411,780 (2012: S\$1,409,404) and S\$509,991 (2012: S\$532,192) respectively, for the financial year ended 31 December 2013.

The estimated fair value of the leasehold property amounted to S\$12,000,000 (2012: S\$10,000,000) as determined on the basis of management's review of similar properties in the market as at 31 December 2013. There has been no change to the valuation technique during the year.

Details of the Group's investment property and information about the fair value hierarchy as at 31 December 2013 are as follows:

	Level 1	Level 2	Level 3	Total
	S\$'000	S\$'000	S\$'000	S\$'000
Leasehold property	–	12,000	–	12,000

## 20 Goodwill

	Group	
	2013	2012
	S\$'000	S\$'000
Balance at beginning of year	81,683	60,702
Goodwill arising on acquisition of subsidiaries	–	20,981
Balance at end of year	<b>81,683</b>	81,683

# Notes to the Financial Statements

31 December 2013

## 20 Goodwill (cont'd)

The goodwill arising on consolidation relates to the excess of the cost of acquisitions over the fair value of the Group's share of the net identifiable assets acquired in the following subsidiaries ("cash-generating units" or "CGUs") under the respective reportable operating segment as set out below.

	<b>Semiconductor segment</b>	
	<b>2013</b>	2012
	<b>S\$'000</b>	S\$'000
UMS Pte Ltd	<b>59,778</b>	59,778
Ultimate Manufacturing Solutions (M) Sdn. Bhd.	<b>924</b>	924
Integrated Manufacturing Technologies Pte Ltd	<b>17,795</b>	17,795
Integrated Manufacturing Technologies Inc	<b>3,186</b>	3,186
	<b>81,683</b>	81,683

The goodwill was assessed for impairment as at the balance sheet date. The recoverable amount of a CGU is determined based on value in use calculations. The key assumptions for the value in use calculations are as follows:

	<b>2013</b>	2012
1. Estimated discount rates using pre-tax rates that reflect current market assessments of the risks specific to the CGUs	<b>5.02%</b>	11.87%
2. Growth rates used to calculate the terminal value based on industry growth forecasts	<b>2%</b>	2%
3. Cash flow forecasts derived from the most recent financial budgets approved by management	<b>5 years</b>	5 years
4. Gross margin	<b>50%</b>	48%

These assumptions were used for the analysis of the CGU. Management recognises the speed of technological change and the possibility of new entrants that can have a significant impact on the growth rate assumptions. The effect of new entrants is not expected to have a significant adverse impact on the forecasts included in the budget. The budgeted gross margin is based on past performance and expectations of market development.

Based on management's assessment of the recoverable amounts of the CGU, no impairment on goodwill was required as at 31 December 2013 (2012: Nil).

### Sensitivity analysis

Management considered the possibility of an increase or decrease in the estimated growth rate and increase in the discount rate used. A 5% decrease in the estimated growth rate and increase in the estimated discount rate used would not result in a recoverable amount lower than the carrying amount of goodwill.

# Notes to the Financial Statements

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## 21 Bank Borrowings

	Group					
	2013			2012		
	Unsecured S\$'000	Secured S\$'000	Total S\$'000	Unsecured S\$'000	Secured S\$'000	Total S\$'000
Short-term loans	-	-	-	-	17,100	17,100

Short-term loans granted to a subsidiary were secured on the Group's fixed deposit (Note 13) and corporate guarantees provided by the Company. The tenure of these short term loans was one month. Interest was charged at 1.48% to 1.60% (2012: 1.35% to 1.82%) per annum. These loans were fully repaid during the current financial year.

## 22 Trade and Other Payables

	Group		Company	
	2013 S\$'000	2012 S\$'000	2013 S\$'000	2012 S\$'000
Trade payables:				
Third parties	<b>12,148</b>	6,008	-	-
Other payables:				
Subsidiaries	-	-	<b>119</b>	3,266
Related party	<b>142</b>	-	<b>142</b>	-
Third parties	<b>785</b>	278	<b>425</b>	70
Accrued operating expenses	<b>5,214</b>	3,392	<b>2,520</b>	1,427
Deposits received	<b>617</b>	663	-	-
	<b>6,758</b>	4,333	<b>3,206</b>	4,763
Trade and other payables	<b>18,906</b>	10,341	<b>3,206</b>	4,763

The average credit period generally taken to settle trade payables is approximately 60 days (2012: 60 days).

The amounts payable to subsidiaries and related party are non-trade, unsecured, interest-free and repayable on demand.

# Notes to the Financial Statements

31 December 2013

## 23 Finance Lease Obligation

	Group	
	2013	2012
	S\$'000	S\$'000
Minimum lease payments payable:		
- due not later than one year	-	139
- due later than one year and not later than five years	-	-
	-	139
Finance charges allocated to future years	-	(1)
Present value of minimum lease payments	-	138
Non-current liabilities:		
Due later than one year and not later than five years	-	-
Current liabilities:		
Due not later than one year	-	138
	-	138

It is the Group's policy to lease certain of its plant and equipment under finance leases. The average lease term is 3 years. For the current financial year ended 31 December 2013, the Group's effective interest rate of its finance lease obligations was 3.83% (2012: 3.83%) per annum.

All leases were on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. The obligation under the finance leases was secured by the lessor's charge over the leased assets (Note 18).

The Group does not have any obligations under finance leases as at 31 December 2013.

## 24 Long-Term Provision

	Group	
	2013	2012
	S\$'000	S\$'000
Provision for dismantling and removing the item and restoring the site relating to leasehold and investment properties	<b>464</b>	564
Balance at beginning of year	<b>564</b>	800
Write back during the year (Notes 18 and 19)	-	(236)
Less: Unwinding discount of estimated liability	<b>(100)</b>	-
Balance at end of year	<b>464</b>	564

The Group makes full provision for the future cost of dismantling and removing the items and restoring the site relating to leasehold and investment properties on a discounted basis. The long-term provision represents the present value of the restoration costs relating to the two factory premises held by the Group.

# Notes to the Financial Statements

31 December 2013

## 24 Long-Term Provision (cont'd)

As per the lease agreement, the Group is required to bear the cost of dismantling and removing the items and restoring the factory premises to its original state at the end of the lease period in year 2027 for 23 Changi North Crescent and 2033 for 25 Changi North Crescent.

The write back of the provision during the previous financial year was due to the revision of the estimated cost of the provision.

## 25 Share Capital

	Issued and fully paid			
	No. of ordinary shares		Amount	
	2013	2012	2013	2012
			S\$'000	S\$'000
<b>Group and Company</b>				
Balance at beginning and end of year	<b>343,754,327</b>	343,754,327	<b>136,623</b>	136,623

Ordinary shares of the Company do not have any par value. The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regards to the Company's residual assets.

## 26 Reserves

	Group	
	2013	2012
	S\$'000	S\$'000
Foreign exchange translation reserve	<b>3,907</b>	2,833

Movement in reserves for the Group is set out in the consolidated statement of changes in equity.

The foreign exchange translation reserve is used to record foreign exchange differences arising from the translation of the financial statements of foreign subsidiaries whose functional currencies are different from that of the Group's presentation currency.

# Notes to the Financial Statements

31 December 2013

## 27 Dividends

	<b>Group</b>	
	<b>2013</b>	2012
	<b>S\$'000</b>	S\$'000
<u>Declared and paid during the financial year</u>		
Dividends on ordinary shares:		
- Special exempt (one-tier) dividend (for 2011: 1 cent) per share	–	3,438
- Final exempt (one-tier) dividend for 2012: 2 cents (for 2011: 2 cents) per share	<b>6,875</b>	6,875
- Interim exempt (one-tier) dividend for 2013: 3 cents (for 2012: 3 cents) per share	<b>10,313</b>	10,312
	<b>17,188</b>	20,625
<u>Proposed but not recognised as a liability as at 31 December</u>		
Dividends on ordinary shares, subject to shareholders' approval at the Company's Annual General Meeting:		
- Special exempt (one-tier) dividend for 2013: 1.5 cents (for 2012: Nil) per share	<b>5,156</b>	–
- Final exempt (one-tier) dividend for 2013: 2 cents (for 2012: 2 cents) per share	<b>6,875</b>	6,875
	<b>12,031</b>	6,875

### Tax consequences of proposed dividends

The above-mentioned proposed dividends to the shareholders by the Company have no income tax consequences (2012: Nil).

## 28 Related Party Transactions

A related party is an entity or person that directly or indirectly through one or more intermediaries controls, is controlled by, or is under common or joint control with, the entity in governing the financial and operating policies, or that has an interest in the entity that gives it significant influence over the entity in financial and operating decisions. It also includes members of the key management personnel or close members of the family of any individual referred to herein and others who have the ability to control, jointly control or significantly influence by or for which significant voting power in such entity resides with, directly or indirectly, any such individual.

# Notes to the Financial Statements

31 December 2013

## 28 Related Party Transactions (cont'd)

There are transactions and arrangements between the Group and related parties and the effects of these on the basis determined between the parties are reflected in these financial statements. In addition to the transactions and balances disclosed elsewhere in the financial statements, related party transactions include the following:

	Group	
	2013	2012
	S\$'000	S\$'000
Payment on behalf for purchases and services	-	(146)
Subcontractor works	-	1,374
Professional fees	<b>658</b>	15
Purchase of goods	-	43
Rental income	<b>48</b>	-

In the current year, related parties are companies in which Mr Luong Andy or Mr Stanley Loh Meng Chong (directors of the Company) have an interest.

### Key management compensation

Key management personnel are directors and those persons having authority and responsibility for planning, directing and controlling the activities of the company, directly or indirectly. The below amounts for key management compensation are for all directors and five other key management personnel. Included in the below amounts are the following items:

	Group	
	2013	2012
	S\$'000	S\$'000
Salaries, bonuses and related benefits	<b>3,202</b>	4,627
Defined contribution plans	<b>80</b>	63
Fees to directors	<b>362</b>	323
	<b>3,644</b>	5,013
Comprised amounts paid/payable to:		
Directors of the Company*	<b>3,014</b>	4,354
Other key management personnel*	<b>630</b>	659
	<b>3,644</b>	5,013

\* The amounts disclosed represent actual compensation received by key management personnel during the financial year.

# Notes to the Financial Statements

31 December 2013

## 29 Financial Guarantees

	Company	
	2013	2012
	S\$'000	S\$'000
Corporate guarantees in favour of subsidiaries	–	17,238

The bank borrowings and finance lease obligations have been fully settled during the current financial year.

## 30 Capital Commitments

Capital expenditure contracted for at the balance sheet date but not recognised in the financial statements is as follows:

	Group	
	2013	2012
	S\$'000	S\$'000
Authorised and contracted but not provided for	<b>2,060</b>	96

## 31 Operating Lease Commitments

*Where the Group is a lessor*

The Group leases out its investment property under non-cancellable operating leases. The lease contains escalation clauses where lease rental is negotiated for a certain period of time with an increment not exceeding a certain percentage.

At the balance sheet date, the future minimum lease receivables under non-cancellable operating lease on investment property with terms of more than one year of the Group are as follows:

	Group	
	2013	2012
	S\$'000	S\$'000
Within 1 year	<b>1,420</b>	1,379
Within 2 to 5 years	<b>2,937</b>	4,358
	<b>4,357</b>	5,737

The remaining tenure period of the aforesaid operating lease is within 2 to 5 years (2012: 2 to 5 years).



# Notes to the Financial Statements

31 December 2013

## 31 Operating Lease Commitments (cont'd)

### *Where the Group is a lessee*

The Group has various operating lease agreements for factory premises. The rental payable is subject to an escalation clause with a maximum increment of the annual rent not to exceed a certain percentage of the annual rent of the immediately preceding year.

At the balance sheet date, the future minimum lease payments under non-cancellable operating leases with terms of more than one year of the Group are as follows:

	Group	
	2013	2012
	S\$'000	S\$'000
Within 1 year	<b>1,401</b>	1,347
Within 2 to 5 years	<b>2,371</b>	2,565
After 5 years	<b>3,054</b>	3,063
	<b>6,826</b>	6,975

The Company does not have any operating lease payment commitments as at 31 December 2013 and 2012.

## 32 Financial Information by Segments

The Group's businesses are organised into two main business segments, namely semiconductor and contract equipment manufacturing ("CEM"). The semiconductor segment provides precision machining components and equipment modules for semiconductor equipment manufacturers. The CEM segment is the supplier of base components to oil and gas original equipment manufacturers ("OEM").

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 3.

Intersegment sales and results include transfers between business segments. Such transfers are accounted for at competitive prices charged to external parties for similar goods. Those transfers are eliminated on consolidation. The revenue from external parties is measured in a manner consistent with that in the statement of comprehensive income.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment assets consist principally of receivables and inventories. Segment liabilities include trade payables and accrued liabilities.

# Notes to the Financial Statements

31 December 2013

## 32 Financial Information by Segments (cont'd)

Segment information about these businesses is presented below:

### Business Segments

	CEM		Semiconductor		Total	
	2013 S\$'000	2012 S\$'000	2013 S\$'000	2012 S\$'000	2013 S\$'000	2012 S\$'000
<b>Group</b>						
Total segment sales	<b>7,557</b>	13,659	<b>156,736</b>	138,408	<b>164,293</b>	152,067
Inter-segment sales	<b>(4,553)</b>	(7,102)	<b>(39,244)</b>	(31,753)	<b>(43,797)</b>	(38,855)
Sales to external parties	<b>3,004</b>	6,557	<b>117,492</b>	106,655	<b>120,496</b>	113,212
<b>Segment results</b>	<b>805</b>	1,285	<b>31,907</b>	17,400	<b>32,712</b>	18,685
Material non-cash items include:						
Allowance of inventories obsolescence, net	<b>21</b>	(411)	<b>888</b>	2,849	<b>909</b>	2,438
<b>Total assets</b>	<b>10,268</b>	17,410	<b>341,082</b>	334,931	<b>351,350</b>	352,341
Total assets include:						
Additions to property, plant and equipment	<b>-</b>	-	<b>1,994</b>	1,747	<b>1,994</b>	1,747
<b>Total liabilities</b>	<b>2,058</b>	10,679	<b>37,997</b>	41,260	<b>40,055</b>	51,939

A reconciliation of total assets for reportable segments to total assets is as follows:

	Group	
	2013 S\$'000	2012 S\$'000
Total assets for reportable segments	<b>351,350</b>	352,341
Elimination of inter-segment receivables	<b>(135,588)</b>	(140,278)
Total assets	<b>215,762</b>	212,063

A reconciliation of total liabilities for reportable segments to total liabilities is as follows:

	Group	
	2013 S\$'000	2012 S\$'000
Total liabilities for reportable segments	<b>40,055</b>	51,939
Elimination of inter-segment payables	<b>(15,424)</b>	(20,389)
Total liabilities	<b>24,631</b>	31,550

# Notes to the Financial Statements

31 December 2013

## 32 Financial Information by Segments (cont'd)

### Geographical Segments

The Group operates in two principal geographical areas - Singapore (country of domicile) and the United States of America ("USA"). Other key geographical areas include People's Republic of China, Poland, Malaysia, Taiwan and South Korea.

In presenting information on the basis of geographical segments, segment revenue is based on the countries of domicile of the customers. Segment assets are based on the geographical location of the assets.

Revenue and non-current assets information based on the geographical location of customers and assets respectively are as follows:

	Singapore		USA		Others		Total	
	2013 S\$'000	2012 S\$'000	2013 S\$'000	2012 S\$'000	2013 S\$'000	2012 S\$'000	2013 S\$'000	2012 S\$'000
<b>Group</b>								
Total sales to external parties	<b>68,473</b>	72,664	<b>27,166</b>	21,893	<b>24,857</b>	18,655	<b>120,496</b>	113,212
Other geographical information:								
Non-current assets:								
Property, plant and equipment	<b>11,639</b>	16,767	<b>114</b>	170	<b>31,666</b>	33,293	<b>43,419</b>	50,230
Investment property	<b>2,848</b>	3,068	-	-	-	-	<b>2,848</b>	3,068
Goodwill	<b>80,759</b>	80,759	-	-	<b>924</b>	924	<b>81,683</b>	81,683
	<b>95,246</b>	100,594	<b>114</b>	170	<b>32,590</b>	34,217	<b>127,950</b>	134,981

#### *Information about major customers*

Included in revenues arising from semiconductor segments of S\$117.5 million (2012: S\$106.7 million) are revenues of approximately S\$100.9 million (2012: S\$96.0 million) which arose from sales to the Group's largest customer.

## 33 Financial Instruments

### (a) Financial Risk Management Policies and Objectives

The Group and the Company are exposed to financial risks arising from its operation and the use of financial instruments. The main risks include capital risk, credit risk, interest rate risk, liquidity risk and foreign currency risk. Management reviews and monitors policies for managing each of these risks.

# Notes to the Financial Statements

31 December 2013

## 33 Financial Instruments (cont'd)

### (a) Financial Risk Management Policies and Objectives (cont'd)

The following sections provide details regarding the Group's and Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

#### (i) Capital Risk

When managing capital, the objectives of the Group and Company are: (a) to safeguard the Group's and Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders, and (b) to provide an adequate return to shareholders by pricing products and services commensurate with the level of risk. The Group's and Company's overall strategy remains unchanged from 2012.

The Group and Company set the amount of capital in proportion to risk. The Group and Company manage the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group and Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

The Group and Company monitor capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt divided by adjusted capital. Net debt is calculated as total liabilities (exclude income tax payable, deferred tax liabilities and long-term provision) less cash and bank balances. Adjusted capital comprises all components of equity (i.e. share capital, reserves and retained earnings).

	Group		Company	
	2013	2012	2013	2012
	S\$'000	S\$'000	S\$'000	S\$'000
Net (cash)/debt	<b>(10,330)</b>	(4,953)	<b>2,585</b>	4,105
Total equity	<b>191,131</b>	180,513	<b>195,606</b>	190,304
Debt-to-adjusted capital ratio	<b>N.M.</b>	N.M.	<b>0.013</b>	0.022

N.M: Not meaningful

The Group and Company do not have to comply with any externally imposed capital requirements for the financial years ended 31 December 2013 and 2012.

# Notes to the Financial Statements

31 December 2013

## 33 Financial Instruments (cont'd)

### (a) Financial Risk Management Policies and Objectives (cont'd)

#### (ii) Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group and Company. For trade receivables, the Group and Company adopts the policy of dealing only with customers with an appropriate credit history, and obtaining sufficient security where appropriate to mitigate credit risk. For other financial assets, the Group and Company adopt the policy of dealing only with high credit quality counterparties.

Credit exposure to an individual counterparty is restricted by credit limits that are approved by the management based on an ongoing credit evaluation. The counterparty's payment profile and credit exposure are continuously monitored at the entity level and at the Group's and Company's level by management.

Financial assets that are potentially subject to concentrations of credit risk and failures by counterparties to discharge their obligations consist principally of cash and bank balances and trade and other receivables. Bank deposits that are neither past due nor impaired are placed with reputable financial institutions with high credit-ratings assigned by international credit-rating agencies. Trade receivables that are neither past due nor impaired at the balance sheet date are substantially creditworthy companies with a good collection record with the Group and Company. An ongoing credit evaluation is performed of the debtor's financial condition and a loss from impairment is recognised in profit or loss. The carrying amount of financial assets recorded in the financial statements, grossed up for any allowance for impairment, represents the Group's and Company's maximum exposure to credit risk.

The table below is an analysis of trade and other receivables as at the balance sheet date:

	Group		Company	
	2013 S\$'000	2012 S\$'000	2013 S\$'000	2012 S\$'000
Not past due and not impaired	<b>15,177</b>	9,060	<b>5,451</b>	1,630
Past due but not impaired <sup>1</sup>				
- Less than 30 days	<b>2,689</b>	809	-	385
- More than 30 days	<b>2,037</b>	2,396	<b>378</b>	-
	<b>4,726</b>	3,205	<b>378</b>	385
	<b>19,903</b>	12,265	<b>5,829</b>	2,015
Impaired receivables - individually assessed	<b>126</b>	156	-	-
Less: Allowance for impairment losses <sup>1</sup>	<b>(126)</b>	(156)	-	-
	-	-	-	-
Trade and other receivables, net	<b>19,903</b>	12,265	<b>5,829</b>	2,015

1 The movements in the allowance for impairment during the year are set out in Note 14.

# Notes to the Financial Statements

31 December 2013

## 33 Financial Instruments (cont'd)

### (a) Financial Risk Management Policies and Objectives (cont'd)

#### (iii) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rate. The Group's exposure to interest rates arises primarily from interest-earning financial assets and interest-bearing financial liabilities.

The Group is not imposed to any interest-bearing financial liabilities as at year end.

The tables below set out the Group's and Company's exposure to interest rate risk. Included in the tables are the financial assets and financial liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

	Interest bearing at variable interest rates		Non- Interest bearing	Total
	Within 1 year S\$'000	Within 2 - 5 years S\$'000		
<b>Group</b>				
<u>2013</u>				
<b>Financial assets</b>				
Trade and other receivables and deposits	-	-	<b>19,903</b>	<b>19,903</b>
Cash and bank balances	<b>24,390</b>	-	<b>4,846</b>	<b>29,236</b>
	<b>24,390</b>	-	<b>24,749</b>	<b>49,139</b>
<b>Financial liabilities</b>				
Trade and other payables	-	-	<b>18,906</b>	<b>18,906</b>
<u>2012</u>				
<b>Financial assets</b>				
Trade and other receivables and deposits	-	-	12,265	12,265
Cash and bank balances	27,878	-	4,654	32,532
Financial asset, available-for-sale	-	4,276	-	4,276
	27,878	4,276	16,919	49,073
<b>Financial liabilities</b>				
Trade and other payables	-	-	10,341	10,341
Bank borrowings	17,100	-	-	17,100
Finance lease obligation	138	-	-	138
	17,238	-	10,341	27,579

# Notes to the Financial Statements

31 December 2013

## 33 Financial Instruments (cont'd)

### (a) Financial Risk Management Policies and Objectives (cont'd)

#### (iii) Interest Rate Risk (cont'd)

	Interest bearing at variable interest rates		Non- Interest bearing	Total
	Within 1 year S\$'000	Within 2 - 5 years S\$'000		
<b>Company</b>				
2013				
<b>Financial assets</b>				
Trade and other receivables and deposits	-	-	5,829	5,829
Cash and bank balances	599	-	22	621
	<b>599</b>	<b>-</b>	<b>5,851</b>	<b>6,450</b>
<b>Financial liabilities</b>				
Trade and other payables	-	-	3,206	3,206
2012				
<b>Financial assets</b>				
Trade and other receivables and deposits	-	-	2,015	2,015
Cash and bank balances	284	-	374	658
	<b>284</b>	<b>-</b>	<b>2,389</b>	<b>2,673</b>
<b>Financial liabilities</b>				
Trade and other payables	-	-	4,763	4,763

# Notes to the Financial Statements

31 December 2013

## 33 Financial Instruments (cont'd)

### (a) Financial Risk Management Policies and Objectives (cont'd)

#### (iii) Interest Rate Risk (cont'd)

A 3% increase/(decrease) in the interest rates as at the balance sheet date, with all variables including tax rate being held constant, would result in a corresponding increase/(decrease) in profit after tax as follows:

	Group		Company	
	2013 S\$'000	2012 S\$'000	2013 S\$'000	2012 S\$'000
Profit after tax	<b>2</b>	(5)	*-	*-

\* The amount is less than S\$1,000.

#### (iv) Liquidity Risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and financial liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

The table below analyses the maturity profile of the Group's and Company's financial liabilities based on contractual undiscounted cash flows.

	Carrying amount S\$'000	Contractual cash flows S\$'000	Within 1 year S\$'000	Within 2 to 5 years S\$'000
<b>Group</b>				
<u>2013</u>				
Trade and other payables	<b>18,906</b>	<b>18,906</b>	<b>18,906</b>	-
<u>2012</u>				
Trade and other payables	10,341	10,341	10,341	-
Bank borrowings	17,100	17,149	17,149	-
Finance lease obligation	138	139	139	-
	<b>27,579</b>	<b>27,629</b>	<b>27,629</b>	-
<b>Company</b>				
<u>2013</u>				
Trade and other payables	<b>3,206</b>	<b>3,206</b>	<b>3,206</b>	-
<u>2012</u>				
Trade and other payables	4,763	4,763	4,763	-



# Notes to the Financial Statements

31 December 2013

## 33 Financial Instruments (cont'd)

### (a) Financial Risk Management Policies and Objectives (cont'd)

#### (v) Foreign Currency Risk

The Group is exposed to foreign currency risk on sales and purchases that are denominated in a currency other than the respective functional currencies of the entities of the Group. The currency giving rise to this risk is primarily the United States Dollar ("USD").

To manage the aforesaid foreign currency risk, the Group maintains a natural hedge, whenever possible, by depositing foreign currency proceeds from sales into foreign currency bank accounts which are primarily used for payments of purchases in the same currency denomination.

The Group's and Company's exposures to foreign currency risk are as follows:

	Singapore Dollar S\$'000	Japanese Yen S\$'000	Euro S\$'000	Malaysian Ringgit S\$'000	United States Dollar S\$'000	Total S\$'000
<b>Group</b>						
<u>2013</u>						
<b>Financial assets</b>						
Cash and bank balances	3,815	6	-	785	24,630	29,236
Trade and other receivables and deposits	3,291	-	-	24	16,588	19,903
	<b>7,106</b>	<b>6</b>	<b>-</b>	<b>809</b>	<b>41,218</b>	<b>49,139</b>
<b>Financial liabilities</b>						
Trade and other payables	<b>(7,901)</b>	<b>-</b>	<b>(28)</b>	<b>(1,354)</b>	<b>(9,623)</b>	<b>(18,906)</b>
<b>Net financial assets/ (liabilities)</b>	<b>(795)</b>	<b>6</b>	<b>(28)</b>	<b>(545)</b>	<b>31,595</b>	<b>30,233</b>
Less: Net financial (assets)/ liabilities denominated in the respective entities' functional currencies	<b>795</b>	<b>-</b>	<b>-</b>	<b>545</b>	<b>(3,980)</b>	<b>(2,640)</b>
<b>Currency exposure</b>	<b>-</b>	<b>6</b>	<b>(28)</b>	<b>-</b>	<b>27,615</b>	<b>27,593</b>

# Notes to the Financial Statements

31 December 2013

## 33 Financial Instruments (cont'd)

(a) Financial Risk Management Policies and Objectives (cont'd)

(v) Foreign Currency Risk (cont'd)

	Singapore Dollar S\$'000	Japanese Yen S\$'000	Euro S\$'000	Malaysian Ringgit S\$'000	United States Dollar S\$'000	Total S\$'000
<b>Group (cont'd)</b>						
<u>2012</u>						
<b>Financial assets</b>						
Cash and bank balances	5,426	10	–	667	26,429	32,532
Trade and other receivables and deposits	2,575	–	–	338	9,352	12,265
Financial asset, available-for-sale	–	–	–	–	4,276	4,276
	8,001	10	–	1,005	40,057	49,073
<b>Financial liabilities</b>						
Trade and other payables	(5,201)	–	(2)	(714)	(4,424)	(10,341)
Bank borrowings	(17,100)	–	–	–	–	(17,100)
Finance lease obligation	(138)	–	–	–	–	(138)
	(22,439)	–	(2)	(714)	(4,424)	(27,579)
<b>Net financial assets/ (liabilities)</b>	(14,438)	10	(2)	291	35,633	21,494
Less: Net financial (assets)/ liabilities denominated in the respective entities' functional currencies	14,438	–	–	(291)	(2,317)	11,830
<b>Currency exposure</b>	–	10	(2)	–	33,316	33,324

# Notes to the Financial Statements

31 December 2013

## 33 Financial Instruments (cont'd)

(a) Financial Risk Management Policies and Objectives (cont'd)

(v) *Foreign Currency Risk* (cont'd)

	Singapore Dollar S\$'000	United States Dollar S\$'000	Total S\$'000
<b>Company</b>			
<u>2013</u>			
<b>Financial assets</b>			
Cash and bank balances	491	130	621
Trade and other receivables and deposits	5,062	767	5,829
<b>Financial liabilities</b>			
Trade and other payables	(3,206)	–	(3,206)
<b>Net financial assets</b>	<b>2,347</b>	<b>897</b>	<b>3,244</b>
Less: Net financial liabilities denominated in the Company's functional currency	(2,347)	–	(2,347)
<b>Currency exposure</b>	<b>–</b>	<b>897</b>	<b>897</b>
<u>2012</u>			
<b>Financial assets</b>			
Cash and bank balances	217	441	658
Trade and other receivables and deposits	1,569	446	2,015
<b>Financial liabilities</b>			
Trade and other payables	(4,763)	–	(4,763)
<b>Net financial (liabilities)/assets</b>	<b>(2,977)</b>	<b>887</b>	<b>(2,090)</b>
Less: Net financial assets denominated in the Company's functional currency	2,977	–	2,977
<b>Currency exposure</b>	<b>–</b>	<b>887</b>	<b>887</b>

# Notes to the Financial Statements

31 December 2013

## 33 Financial Instruments (cont'd)

### (a) Financial Risk Management Policies and Objectives (cont'd)

#### (v) Foreign Currency Risk (cont'd)

If the following currency strengthen by 10% (2012: 10%) against S\$ as at the balance sheet date, with all other variables including tax rate being held constant, the effect arising from the net financial assets/(liabilities) position will be as follows:

	<b>Group Increase/(Decrease) profit after tax S\$'000</b>	<b>Company Increase/(Decrease) profit after tax S\$'000</b>
<u>2013</u>		
United States dollar	<b>2,292</b>	<b>74</b>
<u>2012</u>		
United States dollar	2,765	74

A 10% weaken of the above currency against the S\$ as at the balance sheet date would have had the equal but opposite effect on the amounts shown above, on the basis that all other variables remain constant.

### (b) Financial Instruments

#### (i) Fair Value of Financial Instruments

Fair value is defined as the amount at which the financial instruments could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced or liquidation sale. Fair values are obtained from discounted cash flow models and option pricing models as appropriate.

The Group presents financial assets measured at fair value and classified by level of the following fair value measurement hierarchy:

- (i) Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities;
- (ii) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is as prices) or indirectly (i.e. derived from prices); and
- (iii) Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

# Notes to the Financial Statements

31 December 2013

## 33 Financial Instruments (cont'd)

### (b) Financial Instruments (cont'd)

(ii) Fair Value of the Group's financial assets that are measured at fair value on a recurring basis

	Level 1 S\$'000	Level 2 S\$'000	Level 3 S\$'000	Total S\$'000
<b>Group</b>				
<u>At 31 December 2013</u>				
Financial assets at fair value through profit or loss	-	-	-	-
<u>At 31 December 2012</u>				
Financial assets at fair value through profit or loss	-	-	4,276	4,276

*Reconciliation of Level 3 fair value measurement*

	Unquoted investments	
	2013	2012
	S\$	S\$
<b>Group</b>		
As at 1 January	<b>4,276,000</b>	-
Reclassification of unquoted investments from financial assets, held- to-maturity to financial assets, available for sales	-	4,276,000
Disposals	<b>(4,276,000)</b>	-
As at 31 December	-	4,276,000

# Notes to the Financial Statements

31 December 2013

## 33 Financial Instruments (cont'd)

### (b) Financial Instruments (cont'd)

- (iii) *Fair Value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis*

Except as detailed in the following table, the carrying amounts of financial assets and financial liabilities with a maturity of less than one year (including cash and bank balances, trade and other receivables, finance lease obligations and, trade and other payables) approximate their fair values due to the relatively short-term maturity of these financial instruments.

	<b>Group</b>			
	<b>31 December 2013</b>		31 December 2012	
	<b>Carrying Amount</b>	<b>Fair Value</b>	Carrying Amount	Fair Value
	<b>S\$'000</b>	<b>S\$'000</b>	S\$'000	S\$'000
Long-term provision	<b>464</b>	<b>320</b>	564	320

#### Fair value hierarchy

	<b>Group</b>			
	<b>Fair value hierarchy as at 31 December 2013</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>
<b>Financial liabilities</b>				
Long-term provision	–	<b>320</b>	–	<b>320</b>
<b>Total</b>	<b>–</b>	<b>320</b>	<b>–</b>	<b>320</b>

	<b>Group</b>			
	Fair value hierarchy as at 31 December 2012			
	Level 1	Level 2	Level 3	Total
	S\$'000	S\$'000	S\$'000	S\$'000
<b>Financial liabilities</b>				
Long-term provision	–	320	–	320
<b>Total</b>	<b>–</b>	<b>320</b>	<b>–</b>	<b>320</b>

## 1. Interested Person Transactions

The transactions entered into with interested person during the financial year which fall under Rule 907 of the Listing Manual of the SGX-ST are:-

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920 of the SGX Listing Manual)		Aggregate value of all interested person transactions conducted during the financial period under review pursuant to Rule 920 (excluding transactions less than \$100,000)	
	2013	2012	2013	2012
	S\$'000	S\$'000	S\$'000	S\$'000
<b>Integrated Manufacturing Technologies Pte Ltd ("IMT-S")<sup>1</sup></b>				
Provision of human resource services, and rent and utilities	-	-	-	146
Subcontractor works involving welding and tube bending	-	-	-	1,356
<b>Integrated Manufacturing Technologies Inc. ("IMT-USA")<sup>1</sup></b>				
Purchases of components, assemblies, consumables and spares	-	-	-	43
Subcontractor works involving welding and tube bending	-	-	-	18
<b>Sure Achieve Enterprises Pte Ltd<sup>2</sup></b>				
Consultancy Services charges	658	-	-	-
<b>Kalf Engineering Pte Ltd<sup>3</sup></b>				
Factory rental	48	-	-	-

### Notes:

(1) Transactions above are with IMT-S and IMT-USA in which Mr Luong Andy and Mrs Sylvia SY Lee Luong have a direct and deemed equity interest prior to the Group's acquisition of these companies.

The aggregate value of IPT entered into between the Group and IMT-S and IMT-USA for the period ended on acquisition date amounted to S\$1,563,000 which represented approximately 1.3% of the Group's latest audited net tangible assets as at 31 December 2011.

The shareholders have approved the IPT mandate via a shareholder meeting on 16 August 2011.

The nature of the interested person transactions between the Group and each of IMT-S and IMT-USA are set out in more detail in the Company's circular to Shareholders dated 25 July 2011 in respect of the IPT General Mandate.

However, IMT-S and IMT-USA have since been acquired via a shareholders' EGM dated 1 February 2012 as set out in the Company's circular to Shareholders dated 12 January 2012. The IMT-S acquisition was completed on 17 February 2012. The IMT-USA acquisition, which was a condition precedent to completion of the IMT-S acquisition, was completed on 14 February 2012.

# Supplementary Financial

## Information Disclosures Required by SGX-ST Listing Manual

- (2) In 2013, transaction above is with Sure Achieve Enterprises Pte Ltd in which Mrs Sylvia SY Lee Luong is a director. She was formerly the executive director/COO of the UMS Group and is the wife of the CEO, Mr Andy Luong. She left the Company's employ on 6 March 2013 and continued as a consultant thereafter.

The aggregate value of IPT entered into between the Group and Sure Achieve Enterprises Pte Ltd for the year ended 31 December 2013 amounted to S\$658,000 which represented approximately 0.5% of the Group's latest audited net tangible assets as at 31 December 2012.

- (3) Kalf Engineering Pte Ltd is a company in which both executive directors Mr Luong Andy and Mr Loh Meng Chong, Stanley have an interest. The factory rental arrangement ceased on 31 August 2013.

## 2. Properties

As required by Rule 1207 (10) of the SGX-ST Listing Manual, the description of properties held by the group are as follows:

Location	Description	Tenure	Net Book Value	
			2013 S\$'000	2012 S\$'000
23 Changi North Crescent Changi North Industrial Estate Singapore 499616	Office cum factory building	30 + 30 years lease commencing 16 August 1997 and ending 16 August 2057	<b>5,535</b>	5,661
25 Changi North Crescent Changi North Industrial Estate Singapore 499617	Leased	30 years lease commencing 1 February 2003 and ending 31 January 2033	<b>2,848</b>	3,068
1058, Jalan Kebun Baru, Juru and Lot 20020, Pecahan Lot 702 Mukim 13 14100 Simpang Ampat Seberang Perai Tengah Pulau Pinang.	Office cum factory building	Freehold	<b>16,301</b>	17,176



# Statistics of Shareholdings

As at 24 March 2014

Number of shares	:	343,754,327
Class of Equity Shares	:	Ordinary Shares
Number of Issued Shares	:	343,754,327
Voting Rights	:	On show of hands: 1 vote for each member On a poll: 1 vote for each ordinary share

## DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 999	25	0.67	10,736	0.00
1,000 – 10,000	1,655	44.17	11,805,525	3.44
10,001 – 1,000,000	2,049	54.68	112,233,292	32.65
1,000,001 AND ABOVE	18	0.48	219,704,774	63.91
<b>TOTAL</b>	<b>3,747</b>	<b>100.00</b>	<b>343,754,327</b>	<b>100.00</b>

Based on the information provided to the Company as at 24 March 2014, approximately 68.16% of the issued ordinary shares of the Company is held by the public, and therefore, Rule 723 of the Listing Manual is complied with.

## TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	UOB KAY HIAN PRIVATE LIMITED	85,901,727	24.99
2	DBS NOMINEES (PRIVATE) LIMITED	26,524,979	7.72
3	MORGAN STANLEY ASIA (SINGAPORE) SECURITIES PTE LTD	22,127,400	6.44
4	CITIBANK NOMINEES SINGAPORE PTE LTD	17,455,914	5.08
5	PHILLIP SECURITIES PTE LTD	13,284,332	3.86
6	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	12,816,000	3.73
7	RAFFLES NOMINEES (PTE) LIMITED	12,272,300	3.57
8	DBSN SERVICES PTE. LTD.	9,147,122	2.66
9	HSBC (SINGAPORE) NOMINEES PTE LTD	6,482,000	1.89
10	OCBC NOMINEES SINGAPORE PRIVATE LIMITED	1,989,000	0.58
11	CHAN YEOK PHENG	1,709,000	0.50
12	BNP PARIBAS NOMINEES SINGAPORE PTE LTD	1,690,000	0.49
13	TAN BOON KHAK HOLDINGS PTE LTD	1,630,000	0.47
14	TAN POH GHEE	1,525,000	0.44
15	OCBC SECURITIES PRIVATE LIMITED	1,448,000	0.42
16	TAN ENG YAM @TAN ENG ANN	1,399,000	0.41
17	LEE CLEMENT	1,200,000	0.35
18	HONG LEONG FINANCE NOMINEES PTE LTD	1,103,000	0.32
19	NG DARIEN	875,000	0.25
20	NG HENG CHUN OR LEOW SIEW KHIM	807,000	0.23
<b>TOTAL</b>		<b>221,386,774</b>	<b>64.40</b>

# Statistics of Shareholdings

As at 24 March 2014

## Substantial Shareholders As at 24 March 2014

Name of substantial shareholder	Number of shares registered in the name of substantial shareholder	Number of shares in which substantial shareholder is deemed to have an interest	Total	Percentage (%)
Luong Andy	–	88,607,727	88,607,727	25.78
Applied Materials, Inc	–	20,639,400	20,639,400	6.00

### Notes:

- (1) Based on the total issued and paid-up ordinary share capital of the Company comprising 343,754,327 Shares.
- (2) Luong Andy is deemed interested in 5,000,000 shares and 83,607,727 shares registered in the name of his nominee, Raffles Nominees Pte Ltd and UOB Kay Hian Nominees Pte Ltd respectively.
- (3) Applied Materials, Inc. is deemed to be interested in the 20,639,400 Shares registered in the name of its nominee, Morgan Stanley Asia (Singapore) Securities Pte Ltd.

# Further Information on Directors

Name of Director	Date of Initial Appointment in UMS Holdings Limited	Date of Last Re-election in UMS Holdings Limited	Present and Past Directorship in other Listed Companies	Other Major Appointments
Soh Gim Teik	15 February 2008	30 April 2009	BBR Holdings (S) Ltd  Craft Printing International Limited  QAF Limited  Advanced Holdings Ltd (resigned on 30 June 2013)  Heng Long International Ltd (resigned on 20 December 2011 and company delisted from SGX-ST on 20 December 2011)	–  –  –  –
Neo Ban Chuan	16 July 2008	29 April 2013	ICP Ltd (formerly known as Goldtron Limited) (resigned on 11 October 2012)	–  Managing Director of:- a) BC Neo Business Advisory Pte Ltd b) Arrow Business Consultants Pte Ltd
Oh Kean Shen	20 September 2007	30 April 2010	–	Managing Director of:- a) Limbongan Batu Maung Sdn Bhd b) Pen-Marine Sdn Bhd
Luong Andy	1 April 2004	–	–	–
Loh Meng Chong, Stanley	30 June 2010	25 March 2011	–	–
Chay Yiowmin	28 June 2013	–	Advance SCT Limited	Partner of:- a) Chay & Partner b) BDO LLP

# Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of UMS Holdings Limited ("the Company") will be held at 25 Changi North Rise, Singapore 498778 on Tuesday, 29 April 2014 at 10.00 a.m. to transact the following businesses:

## ORDINARY BUSINESS:

1. To receive and consider the Directors' Report and Audited Financial Statements for the financial year ended 31 December 2013 and the Auditors' Report thereon. **Resolution 1**
2. To approve the payment of a final tax-exempt (one-tier) dividend of 2 cents per ordinary share in respect of the financial year ended 31 December 2013. **Resolution 2**
3. To approve the payment of a special tax-exempt (one-tier) dividend of 1.5 cents per ordinary share in respect of the financial year ended 31 December 2013. **Resolution 3**
4. To re-elect Mr Loh Meng Chong, Stanley, who is retiring by rotation in accordance with Article 104 of the Company's Articles of Association, as Director of the Company. **Resolution 4**
5. To re-elect Mr Chay Yiowmin, who is retiring by rotation in accordance with Article 108 of the Company's Articles of Association, as Director of the Company.  
  
[Mr Chay Yiowmin will, upon re-election as a Director of the Company, remain as Chairman of the Remuneration Committee and a member of the Audit Committee and the Nominating Committee and will be considered independent for the purpose of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.] **Resolution 5**
6. To approve the payment of Directors' fees of up to S\$192,932 for the financial year ending 31 December 2014, to be paid quarterly in arrears. (FY2013: S\$201,233) **Resolution 6**
7. To re-appoint Messrs Moore Stephens LLP as Independent Auditors and to authorise the Directors to fix their remuneration. **Resolution 7**
8. To transact any other ordinary business which may be properly transacted at an Annual General Meeting.

## SPECIAL BUSINESS:

To consider, and if thought fit, to pass with or without any modifications, the following resolutions as Ordinary Resolutions:-

9. **Authority to allot and issue shares up to fifty per centum (50%) of the issued shares in the capital of the Company**

"That authority be and is hereby given to the Directors of the Company to:

- (a) (i) issue shares in the capital of the Company ("shares") whether by way of rights, bonus or otherwise; and/or
- (ii) make or grant offers, agreements or options (collectively "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares,

# Notice of Annual General Meeting

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

- (b) (notwithstanding that the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force,

provided that:

- (1) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 50 per cent of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro rata basis to shareholders of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 20 per cent of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with paragraph (2) below);
- (2) (subject to such manner of calculation as may be prescribed by the Singapore Exchange Securities Trading Limited ("SGX-ST") for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the percentage of issued shares shall be based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time this Resolution is passed, after adjusting for:-
- (i) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed; and
- (ii) any subsequent bonus issue, consolidation or subdivision of shares;
- (3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST from the time being in force (unless such compliance has been waived by the SGX-ST), all applicable legal requirements under the Companies Act and otherwise, and the Memorandum and Articles of Association for the time being of the Company; and
- (4) (unless revoked or varied by the Company in General Meeting), the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier."

**[Explanatory Note (i)]**

**Resolution 8**

10. **Authority to offer and grant options and / or grant awards and to allot and issue shares, pursuant to the UMS Share Option Scheme, the UMS Performance Share Plan and UMS Restricted Share Plan**

"That approval be and is hereby given to the Directors of the Company to:

- (a) offer and grant options in accordance with the provisions of the UMS Share Option Scheme (the "Share Option Scheme") and/or to grant awards in accordance with the provisions of the UMS Performance Share Plan (the "Performance Share Plan") and/or the UMS Restricted Share Plan (the "Restricted Share Plan") (the Share Option Scheme, the Performance Share Plan and the Restricted Share Plan, together the "Share Plans"); and

# Notice of Annual General Meeting

- (b) allot and issue from time to time such number of ordinary shares in the capital of the Company as may be required to be issued pursuant to the exercise of the options under the Share Option Scheme and/or such number of fully paid shares as may be required to be issued pursuant to the vesting of awards under the Performance Share Plan and/or the Restricted Share Plan,

provided that the aggregate number of ordinary shares to be issued pursuant to the Share Plans shall not exceed 15% of the total number of issued shares in the capital of the Company from time to time.”

**[Explanatory Note (ii)]**

**Resolution 9**

Explanatory Notes:

- (i) Resolution 8 is to authorise the Directors to issue shares in the capital of the Company and to make or grant instruments (such as warrants or debentures) convertible into shares, and to issue shares in pursuance of such instruments, up to a number not exceeding in total 50% of the total number of issued shares (excluding treasury shares) in the capital of the Company, with a sub-limit of 20% for issues other than on a pro rata basis to shareholders. For the purpose of determining the aggregate number of shares that may be issued, the percentage of issued shares shall be based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time that Resolution 8 is passed, after adjusting for (a) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time that Resolution 8 is passed, and (b) any subsequent consolidation or subdivision of shares.
- (ii) Resolution 9 is to authorise the Directors of the Company to offer and grant options and/or grant awards and to issue ordinary shares in the capital of the Company pursuant to the UMS Share Option Scheme, UMS Performance Share Plan and UMS Restricted Share Plan (collectively the “Share Plans”). The grant of options and awards under the respective Share Plans will be made in accordance with their respective provisions. The aggregate number of ordinary shares which may be issued pursuant to the Share Plans is limited to 15% of the total number of issued shares in the capital of the Company (excluding ordinary shares held in treasury) from time to time.

# Notice of Annual General Meeting

## NOTICE OF BOOKS CLOSURE

NOTICE IS HEREBY GIVEN THAT the Share Transfer Books and Register of Members of the Company will be closed on 9 May 2014, for the purpose of determining members' entitlements to the Final Dividend of 2.0 cents per ordinary share (tax-exempt one-tier) and Special Dividend of 1.5 cents per ordinary share (tax-exempt one-tier) (the "Proposed Final and Special Dividends") to be proposed at the Annual General Meeting of the Company to be held on 29 April 2014.

Duly completed registrable transfers in respect of the shares in the Company received by the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 up to the close of business at 5.00 p.m. on 8 May 2014 will be registered before entitlement to the Proposed Final and Special Dividends are determined. Members whose Securities Accounts with The Central Depository (Pte) Limited are credited with shares in the Company as at 5.00 p.m. on 8 May 2014 will be entitled to such Proposed Final and Special Dividends.

The Proposed Final and Special Dividends, if approved at the forthcoming Annual General Meeting of the Company, will be paid on 28 May 2014.

## BY ORDER OF THE BOARD

Shirley Lim Guat Hua  
Company Secretary

Singapore: 7 April 2014

## Notes:

1. A member of the Company entitled to attend and vote at the Annual General Meeting may appoint not more than two proxies to attend and vote instead of him.
2. Where a member appoints two proxies, he shall specify the proportion of his shareholding to be represented by each proxy in the instrument appointing the proxies. A proxy need not be a member of the Company.
3. If the member is a corporation, the instrument appointing the proxy must be under seal or the hand of an officer or attorney duly authorised.
4. The instrument appointing a proxy must be deposited at the Registered Office of the Company at 23 Changi North Crescent, Singapore 499616 not less than 48 hours before the time set for the Annual General Meeting.

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**IMPORTANT**

- For investors who have used their CPF monies to buy the Company's shares, this Annual Report is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
- This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

**UMS Holdings Limited**

(Incorporated in the Republic of Singapore)

(Registration No: 200100340R)

**PROXY FORM  
ANNUAL GENERAL MEETING**

I / We \_\_\_\_\_ NRIC/ Passport/ Co. Reg. No. \_\_\_\_\_

of \_\_\_\_\_ (Address)

being a member/members of UMS Holdings Limited (the "Company"), hereby appoint

Name	Address	NRIC/Passport Number	Proportion of Shareholdings (%)

and/or (delete as appropriate)

Name	Address	NRIC/Passport Number	Proportion of Shareholdings (%)

or failing him/her, the Chairman of the Meeting as my/our proxy/proxies to attend and to vote for me/us on my/our behalf and, if necessary, to demand a poll at the Annual General Meeting of the Company to be held at 25 Changi North Rise, Singapore 498778 on Tuesday, 29 April 2014 at 10.00 a.m. and at any adjournment thereof.

(Please indicate with a "✓" in the spaces provided whether you wish your votes(s) to be cast for or against the resolutions as set out in the Notice of Annual General Meeting. In the absence of specific directions, the proxy/proxies will vote or abstain as he/they may think fit, as he/they will on any other matter arising at the Annual General Meeting.)

No.	Resolutions	For	Against
	<b>Ordinary Business</b>		
1	To receive and consider Directors' and Auditors' Reports and Audited Accounts for the financial year ended 31 December 2013		
2	To approve a final tax-exempt (one-tier) dividend		
3	To approve a special tax-exempt (one-tier) dividend		
4	To re-elect Mr Loh Meng Chong, Stanley as Director		
5	To re-elect Mr Chay Yiowmin as Director		
6	To approve directors' fees for the year ending 31 December 2014		
7	To re-appoint Auditors and authorise the directors to fix their remuneration		
	<b>Special Business</b>		
8	To authorise the directors to allot and issue shares		
9	To authorise the directors to offer and grant options and/or grant awards and to allot and issue shares, pursuant to the UMS Share Option Scheme, UMS Performance Share Plan and UMS Restricted Share Plan		

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2014

**Total number of Shares held**

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**IMPORTANT: PLEASE READ NOTES OVERLEAF**\_\_\_\_\_  
Signature(s) of member(s) or common seal

**Notes:**

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 130A of the Singapore Companies Act, Cap. 50), you should insert that number of shares. If you have shares registered in your name in the Register of Members, you should insert that number of shares. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by you.
2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint not more than two proxies to attend and vote on his behalf. A proxy need not be a member of the Company.
3. Where a member appoints more than one proxy, he shall specify the proportion of his shareholding to be represented by each proxy.
4. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of an officer or attorney duly authorised.
5. A corporation which is a member of the Company may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Annual General Meeting, in accordance with Section 179 of the Singapore Companies Act, Cap. 50.
6. The instrument appointing a proxy or proxies, together with the power of attorney or other authority (if any) under which it is signed, or notarially certified copy thereof, must be deposited at the registered office of the Company at 23 Changi North Crescent, Singapore 499616 not less than 48 hours before the time set for the Annual General Meeting.
7. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of members of the Company whose shares are entered against their name in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if such members are not shown to have shares entered against their names in the Depository Register as at 48 hours before the time appointed for holding the Annual General Meeting as certified by The Central Depository (Pte) Limited to the Company.





## **UMS Holdings Limited**

Company Registration No : 200100340R

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Changi North Industrial Estate  
Singapore 499616

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Fax: 6542 9979

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